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ABSTRACT

At this hearing questions of unemployment compensation, job training, minimum wage, and statistics gathering of the Bureau of Labor Statistics were considered. Points made included the following: while minorities are overrepresented among the poor, most poor people are white; most poor people are also women, possibly because they have less access to training for better paying jobs; and expansion of the Earned Income Tax Credit Program (EITC) could substantially alleviate the financial burdens of the working poor. An economics professor from Bowdoin College addressed the question of whether many of the poor could work but don't. Testimony was also heard from representatives of various organizations such as the Children's Defense Fund, Nine-to-Five, and Women's Work Force Network Division, Wider Opportunities for Women, Inc. There was also testimony from a professor at the Columbia University School of Social Work and a Massachusetts congressional representative. Letters and prepared statements are included. (CG)

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# WORK AND POVERTY: THE SPECIAL PROBLEMS OF THE WORKING POOR

ED270519

## HEARING

BEFORE A

SUBCOMMITTEE OF THE

## COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

DECEMBER 12, 1985

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# WORK AND POVERTY: THE SPECIAL PROBLEMS OF THE WORKING POOR

THURSDAY, DECEMBER 12, 1985

HOUSE OF REPRESENTATIVES,
EMPLOYMENT AND HOUSING SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
*Washington, DC.*

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 2247, Rayburn House Office Building, Hon. Barney Frank (chairman of the subcommittee) presiding.

Present: Representatives Barney Frank, Sander M. Levin, Major R. Owens, Matthew G. Martinez, Howard C. Nielson, Jim Lightfoot, and Beau Boulter.

Also present: Stuart E. Weisberg, staff director and counsel; Isabella Cummins, counsel; Bill Zavarello, staff investigator; June Saxton, clerk; and Ken Salaets, minority professional staff, Committee on Government Operations.

## OPENING STATEMENT OF CHAIRMAN FRANK

Mr. FRANK. The hearing of the Employment and Housing Subcommittee of the Government Operations Committee will come to order.

I apologize for the delay, but when we set this hearing date, we didn't realize it would be one of the busiest days of the legislative session. Many of the members are at other meetings, caucuses, et cetera, dealing with the last days' business.

This is a somewhat different hearing than the norm for this subcommittee and perhaps for other subcommittees, but it is well within our oversight function. The subject of employment in general and specifically the programs of the Labor Department are part of our charge, and one of the serious public policy issues that we have been dealing with in our society for some time is the problem of the working poor.

The Labor Department has a good part of the Federal responsibility in dealing with this issue. It obviously also has some implications for the Department of Housing and Urban Development, although we won't be explicitly addressing those today. But questions of unemployment compensation and how it should best be handled, job training, minimum wage, the statistics gathering of the Bureau of Labor Statistics—all of those are very directly relevant to our mission in terms of supervision of the Department of Labor.

It seems to me from time to time that we ought to be looking at the policy implications of some of what we do; that is, we often are

looking at what the agencies we supervise do, but sometimes we look at what they don't do.

More recently, at the request of the gentleman from Iowa, who is with us, we had a hearing in Iowa, which I think all of us found very useful, to look at an area where not much was happening, the question of use of the Job Training Partnership Act for the agricultural sector.

That was very useful, and I think that this kind of looking at problems that may not be directly addressed right now but that comes within the jurisdiction of the agencies that we are charged with supervising is useful.

So that is what we will be dealing with today. The Office of Management and Budget declined to come today. We hope in the future that there will be administration witnesses as well as a wide range of opinion in a variety of areas. We do have some communications from the Bureau of Labor Statistics, which quite graciously responded to some statistical questions that we had.

Would anybody want to make an opening statement?

Mr. LIGHTFOOT. Mr. Chairman, I would just add to your remarks that I think one of the things that we identified and apparently are going to address today is the method of gathering statistics to identify who the working poor are. In our particular part of the country, which is basically agricultural, where people have never been on a payroll of any kind, it is extremely difficult to determine those that are unemployed or underemployed. That is something that we need to address, and I appreciate your cooperation.

Mr. FRANK. I thank the gentleman. He reminds me that that came up when we had our hearing, that part of the problem in terms of eligibility that could be there with some people; for instance, the female member of a farm couple would be listed as never having worked—that being preposterous for anybody that knows what the life of a woman like that is like. In some of the cases, being considered as not having worked, she wouldn't have eligibility.

That whole area may be the subject of a hearing that we might want to have in terms of the equity in that regard. And I thank the gentleman.

Mr. LIGHTFOOT. Thank you, Mr. Chairman. I appreciate your comments.

Mr. FRANK. Any other comments? If not, we will proceed with our first witness.

Mr. Peter Gottschalk, from the Institute for Research on Poverty. Mr. Gottschalk is an associate professor of economics at Bowdoin College.

Thank you very much for joining us.

Let me say this hearing had to be rescheduled. We had scheduled it before for a day when it looked like it would be difficult to get enough members available. There were always conflicting problems. As I said, today we have more competition than we had anticipated. But we do try to comply with the general spirit and have this as convenient for members as possible.

Please proceed, Mr. Gottschalk.

**STATEMENT OF PETER GOTTSCHALK, ASSOCIATE PROFESSOR OF ECONOMICS, BOWDOIN COLLEGE, AND RESEARCH AFFILIATE, INSTITUTE FOR RESEARCH ON POVERTY, ACCOMPANIED BY SHELDON DANZIGER**

Mr. GOTTSCHALK. Thank you. Let me start by thanking you for inviting Sheldon Danziger and I to give testimony on the working poor, a group which is neglected in much of the discussion about the poor.

Our feeling is that, in addition to being neglected, that there are a lot of misconceptions out there. One of those misconceptions is that many or most of the poor could work but don't work. Our testimony is built around answering the question, "Is it true that the poor could work but don't work?"

We focus specifically on people we would expect to work. I think it's important in looking at the working poor to first of all rule out those people who are disabled, elderly, full-time students, or female household heads with children under 6. Those people, we don't expect to work. We shouldn't expect that either programs or macroeconomic conditions would have a large impact on them. So the first distinction is that we will focus on those expected to work.

The second distinction we make is that we classify people in two ways. One is whether they have low earnings or not; and what we define—low earnings throughout our testimony is defined as whether a person working full time could support a family of four above the poverty line. So the question is, "If you work full time, could you keep a family of four over the poverty line?" Whether the family itself is poor depends on family size and other forms of income.

Obviously, I would like to have the written testimony inserted in the record.

Mr. FRANK. Without objection, it will be so ordered.

Mr. GOTTSCHALK. I am going to try to use as few figures as possible. I find that it's hard to get people to focus on specific numbers. I am going to try to summarize the points.

But in order to get us thinking in sort of the structure of the argument, I would ask you to turn to page 3, which has the basic charts. This will make the distinctions around which our testimony is organized.

This is chart 1. It simply breaks down the fact that there were 93 million households, and it breaks them down according to the specified categories. Right away you get a feeling for the dimensions of the problem.

Of the 93 million households, 65 million were expected to work, by our definition. They're basically able-bodied, families without children under 6. Of those 65 million, a full 17 million had low earnings. That means that roughly a quarter of households expected to work had earnings which would not have supported a family of four over the poverty line. That's an important number, it seems to me.

Of those 17 million, many of them escaped poverty. Why? Because they had other forms of income: Their wives went to work, they had nonearned income, or they had family size smaller than

four. And so that leaves you 6 million, roughly 6 million people who were expected to work who were also poor.

So you get a picture, first of all, of the breakdowns that you're making: A family which has low earnings, it's a different concept than whether they are poor or not. And that's a key difference. When you sort of take this chart and say, "What does it show," it shows that 10 percent of the heads expected to work were poor. Ten percent of the heads who were expected to work were poor. Nevertheless, around half of all poor households had a head who was expected to work.

The policy conclusion from that simple fact, it seems to me, is that the working poor is an important group upon which one should focus policies. However, one shouldn't ignore that other group of people who are poor and not expected to work: the elderly, and disabled, and families with children under 6.

So our testimony is going to focus on this roughly half of the poverty population which has serious problems, and what we're going to try to do is to describe what they look like and what are the causes of their poverty.

Now, that's the last time I am going to refer to a chart. I can give you numbers, but the numbers are in the tables.

Just as in the poverty population in general, the majority of the poor are white. When people go around with the notion that the poverty problem or solutions to the poverty problems are solely the domain of the black and minority communities, that's simply wrong.

I come from the State of Maine. I can assure you that there are a lot of low-income whites. They have exactly the same problems as low-income minorities. However, minorities are disproportionately poor.

For every two whites who are poor, there is one minority who is poor. So they are overrepresented. So poverty is more prevalent among minorities, but the largest group of poor people who are expected to work—and that's who I am talking about—are white. So I think it's important, in building coalitions, to be sure that people understand that this is not a black problem, it's a problem which faces all of society. That's the first major finding.

The second major——

Mr. FRANK. I wonder if I could ask this. The black-white or the white-to-minority ratio, is that essentially the same? I know you're focusing primarily, at our request, on those expected to work because that is really where our jurisdiction is. But is that white-to-minority ratio roughly similar to those expected to work and those not expected to work?

Mr. GOTTSCHALK. Roughly similar. You know, no large enough difference that it would make any substantial difference.

Next let's look at those expected to work. Do they work? That's an important question, because now I am talking about those expected to work who end up being poor. One-third of those people are working full year. So we have a third of those expected to work who are working full year and are still poor. For those people, clearly you have to think about ways of raising their wages. These people are working full time, they're working full year, and yet are poor.

Of the other two-thirds, half of those, or a third of all people expected to work, work part year. They have attachment to the labor force. The notion that there are a lot of people out there who are poor who could work and have no attachment to the labor force is simply wrong. It turns out that a third, only a third, of those expected to work don't work at all.

Now, those may not work, for a variety of reasons, and I think it's a serious problem why they don't work. But one shouldn't overblow it. In the same way that we shouldn't view the poverty problem as a black problem, we should also not view the problem of poverty as a bunch of people who don't want to work and who don't work, in fact.

The third major finding is that the incidence of low earnings has been increasing over time, and that is something which those of us in the research community have been following now for a long period. It's important to make a distinction which is often not made in the press. There is the statement which one hears often that, "A rising tide lifts all boats," coined by President Kennedy. Unfortunately, it's not true.

I want to make an important distinction because the arguments get muddled if you don't make the distinction. Our research shows—I think, conclusively—that secular economic growth—that is, long-term growth—does very, very little for the poor. It does very little for the working poor. It does very little for the poor in general.

That's not to say that going in and out of recessions isn't terribly important for the poor. If you go into a recession, you're going to find a dramatic increase in the number of poor people, a dramatic increase in those expected to work who do become poor. And getting yourself out of that recession is tremendously important. And there is no argument about that.

Nevertheless, when people say, "What we're going to do is to stimulate this economy and we're going to get ourselves on a fast growth path," there is no evidence that that will reduce poverty. Let's try to keep that distinction clear.

The fourth conclusion which comes out of this testimony is that the safety net has serious holes in it, and basically for the working poor. Two-thirds of all poor male-headed households expected to work who were poor receive no transfers—receive no transfers. A third of the females receive no transfers. This is the group which American society has decided that they can sink or swim. By and large, these folks don't get transfers, and it shows in their low earnings.

Mr. FRANK. By tranfers, you mean transfer payments.

Mr. GOTTSCHALK. Transfer payments. Sure. Thank you. Sure. Welfare payments, transfer payments, income-conditioned payments.

Mr. FRANK. Would that include unemployment compensation or——

Mr. GOTTSCHALK. Our numbers include only payments which depend on your income.

Mr. FRANK. They might get unemployment compensation then.

Mr. GOTTSCHALK. The fifth finding is that the tax burden on the working poor has increased dramatically. Now, I understand that

someone else will cover this in depth. But given the issues faced by the House yesterday, and hopefully today and tomorrow, this turns out to be one of the key issues which the House could, in fact—hopefully, still can—rectify.

We have a table showing that the tax burden among the working poor has gone up substantially. And frankly, my reading of what American society is willing to do indicates that they're much more willing to cut the taxes on the working poor rather than increase transfers. And so therefore, just simply on the political grounds, I think that one needs to consider the question of tax reform.

Well, those are sort of the basic findings, and if you are tremendously interested in numbers, you can dig through the report. The numbers are there.

What should be done once we sort of understand what's going on? I have three suggestions. The first is, in looking over Gramm-Rudman, be exceedingly careful that you don't pass a piece of legislation which is going to put this economy into a recession.

Mr. FRANK. It's too late for that one. [Laughter.]

Mr. GOTTSCHALK. Going into a recession is the worst thing that can happen to low-income people. Even if you managed to save some of the programs, if you go into a recession, the working poor are going to be hurt tremendously.

The second program is to cut taxes for the working poor. Again, it's legislation which a week ago one thought was going through. Now it doesn't look like it. Nevertheless that would be a beneficial piece of legislation.

The third piece of legislation which we had started advocating—and we're not always terribly popular for doing it—are programs which are called workfare, which had a very bad reputation.

Our contention is that workfare is seriously lacking for only one reason, basically, and that is it does not allow a person to work as much as they wanted. Suppose that we had a program which said, "Hey, you've got kids over 6. We expect you to work. You can go, and here's this job. And we're going to expect you to earn your welfare benefits." That's what workfare currently says; you must work for your welfare benefits. But the moment you have earned your full welfare benefit, you are thrown off of workfare. You cannot work more.

It is ironic to me that we have a program which says, "You must work, but you can't work more than $x$ hours." If you just simply made a very small change in the way that workfare operates, which is to say, "Yes, you have a child over 6. You must work for your benefits. Fine. But you may work more than those benefits."

In conclusion, when you look at the evidence, most welfare mothers want to work. Staying at home with the kid is not a great life, especially when you have very low income. The problem is that it is not easy to find jobs, and it becomes part of Government's responsibility, if they are going to force that mother to work to earn her benefit, it seems to me, to offer the opportunity to work beyond that.

Thank you.

[The prepared statement of Mr. Gottschalk follows:]

# Work, Poverty, and the Working Poor

Sheldon Danziger*

Peter Gottschalk**

Prepared for presentation to the Employment and Housing Subcommittee of the House Committee on Government Operations, December 12, 1985.

*Professor of Social Work and Director of the Institute for Research on Poverty, University of Wisconsin-Madison.

**Associate Professor of Economics, Bowdoin College and Research Affiliate, Institute for Research on Poverty.

## Work, Poverty, and the Working Poor

Our testimony describes changes from 1967 to 1984 in the economic circumstances of households headed by persons who are "expected to work." Our results cast doubt on the popular perception that most of these households are poor because their heads, though capable of doing so, do not work.[1]

We show that:

- Poverty for all households in 1984 is somewhat below the rate for 1967 and at about the same level as it was in 1972.[2] Large changes have occurred, however, in the labor market characteristics of the poor during the period.

- A majority of the heads of poor households are not expected to work because they are either over 65 years of age, disabled, students or women with children under six years of age.

- About a quarter of all household heads expected to work have low weekly earnings. Most of their households nevertheless escape poverty.

- Among the remaining poor households with an able-bodied head, most have substantial labor market attachment. About half of all poor able-bodied mothers whose youngest child is over six work at some point during the year, as compared to about 80 percent of men who head poor households with children.

- Despite this work effort, they remain poor because of low annual earnings, which reflect both low weekly earnings and less than full-year work. And most of these households would remain poor even if their heads worked full year at their current weekly earnings rate.

Although the able-bodied poor are not a majority of the poor, we argue that their economic circumstances warrant special public policy consideration. We conclude by discussing several labor market interventions that could both supplement earnings and provide work.

Definitions of Poverty and Low Earnings

Since we are primarily interested in the labor market experience of households with an able-bodied head, we classify household heads who are over 65, disabled, full-time students, or women with children under 6 as not expected to work. While child care responsibilities may complicate market work for single-parent households with a child over 6, we nevertheless classify such persons as expected to work because this is consistent with existing welfare policies.

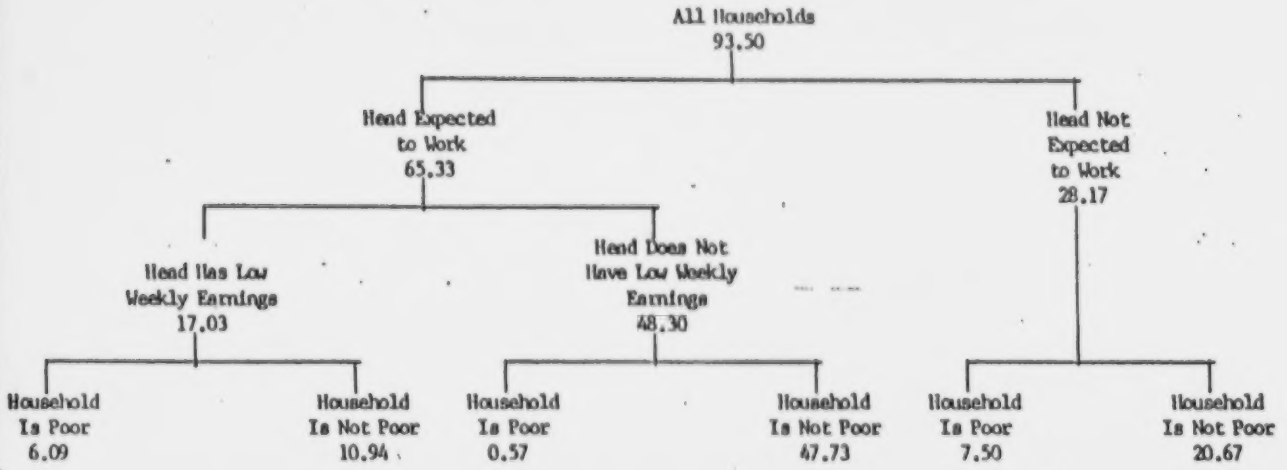
In this testimony we distinguish between poor households and household heads who have low weekly earnings. A household is poor if its cash income of all types and from all household members falls below the official poverty line for a household of its size. We define "low earners" as household heads with weekly earnings below $204 per week in 1984 dollars. Such persons could not earn the poverty-line income for a family of four even if they worked 52 weeks a year at that weekly wage.[3]

Households headed by low earners are not necessarily poor. Whether or not the household is poor depends on the household's own poverty line and its total cash income. Similarly, poor households do not necessarily have heads with low weekly earnings.[4]

Chart 1 illustrates these distinctions. In 1984 there were 93.5 million households in the United States. Of these, 65.3 million had a head whom we classify as expected to work. Among this group of households, 17.0 million had low earnings. Not all of them were poor. Because of smaller family size or other sources of household income, 10.9 million were able to escape poverty. The heads of almost all poor households in which the head was expected to work had low weekly earnings

Chart 1

Households Classified by Whether Head is Expected to Work,
Poverty, and Low Earnings of Head, 1984
(all numbers in millions)



(6.09 out of 6.66 million), while very few households in which the head did not have low weekly earnings were poor (0.57 out of 48.30 million). Thus, about 10 percent (6.66 out of 65.33 million) of all households in which the head was expected to work were poor in 1984.

How Has the Proportion of Poor Household Heads Who Could Work Changed?

Table 1 shows changes in the incidence of poverty and the composition of all households and all poor households, classified by the characteristics of the household head, for selected years from 1967 to 1984. The poverty rate for all households declined from 17.1 percent in 1967 to 13.1 percent in 1979 and then rose to 15.2 percent in 1984, a rate that is quite close to that of 1972.

The proportion of all household heads expected to work remained at about 70 percent between 1967 and 1984. Among poor households, the proportion expected to work increased from 37.1 to 47.0 percent over this period, primarily because of the rapid decline in the incidence of poverty among the elderly.

- Thus over two-thirds of all household heads and a little less than half of all poor household heads were expected to work in 1984. By implication, at most only half of the poverty population could be affected by increases in the demand for labor, inducements to supply more labor and/or requirements to work.

Of Those Expected to Work, How Many Did Work?

The data in Table 1 and in Chart 2 show that among all household heads expected to work in 1984, roughly equal proportions either did not

Table 1

Composition of All Households and Poor Households by Characteristics of Household Head, 1967-1984

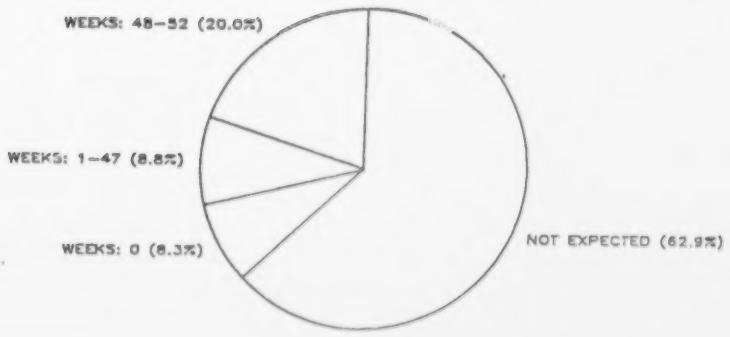
| | 1967 | 1972 | 1979 | 1984 |
|---|---|---|---|---|
| ALL HOUSEHOLDS | 100.0% | 100.0% | 100.0% | 100.0% |
| Head Not Expected to Work | 28.7 | 29.4 | 30.3 | 30.1 |
| Elderly | 19.3 | 19.5 | 19.6 | 20.0 |
| Female, child under 6 | 2.0 | 2.4 | 2.8 | 3.1 |
| Student | 2.2 | 2.2 | 2.4 | 2.3 |
| Disabled | 5.3 | 5.3 | 5.5 | 4.6 |
| Head Expected to Work | 71.3 | 70.6 | 69.7 | 69.9 |
| Weeks Worked: | | | | |
| 0 | 3.9 | 4.5 | 4.4 | 5.9 |
| 1 to 47 | 7.2 | 9.8 | 9.8 | 10.0 |
| 48 to 52 | 60.2 | 56.4 | 55.4 | 54.0 |
| POOR HOUSEHOLDS | 100.0 | 100.0 | 100.0 | 100.0 |
| Head Not Expected to Work | 62.9 | 62.5 | 61.5 | 53.0 |
| Elderly | 40.4 | 34.7 | 27.6 | 20.1 |
| Female, child under 6 | 7.0 | 9.8 | 12.6 | 12.8 |
| Student | 5.5 | 6.5 | 7.7 | 7.7 |
| Disabled | 10.0 | 11.5 | 13.6 | 12.3 |
| Head Expected to Work | 37.1 | 37.5 | 38.5 | 47.0 |
| Weeks Worked: | | | | |
| 0 | 8.3 | 10.1 | 11.8 | 15.1 |
| 1 to 47 | 8.8 | 12.2 | 14.0 | 16.8 |
| 48 to 52 | 20.0 | 15.2 | 12.9 | 15.1 |
| Poor Households as Percentage of All Households | 17.1 | 15.0 | 13.1 | 15.2 |
| Unemployment Rate | 3.8 | 5.6 | 5.8 | 7.7 |

Note: Columns may not add to underlined subtotals because of rounding. Data for all tables and charts are authors' computations from March 1968, 1973, 1980 and 1985 Current Population Survey data tapes.

CHART 2

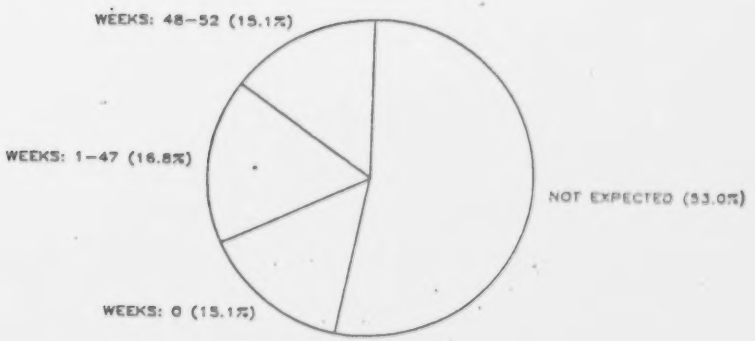
## POOR HOUSEHOLDS

1967 WORK CHARACTERISTICS




## POOR HOUSEHOLDS

1984 WORK CHARACTERISTICS



work at all during the year, worked between 1 and 47 weeks, or worked all-year. This is in contrast to 1967, when more than half of those expected to work (20.0 out of 37.1 percent) worked full year. A major cause of the decline in full-year work was the doubling of the unemployment rate between 1967 and 1984.

- The fact that in 1984 about two-thirds of those expected to work did not work full year indicates that stimulating aggregate employment is an important avenue for antipoverty policy. However, the fact that the remaining third of the able-bodied poor worked full year suggests the need for microeconomic policies to supplement or increase low weekly earnings.

Are Low Earnings a Common Occurrence Among Those Expected to Work?

Table 2 shows the incidence of low weekly earnings among household heads, both male and female, who could be expected to work. Between 1967 and 1979, the incidence of low earnings was about 19 percent, but it increased to 26 percent by 1984. In 1984, about one-fifth of all such men and almost half of all women had low weekly earnings. Thus a substantial proportion of household heads could not keep a family of four out of poverty even if they worked 52 weeks at their current weekly earnings.[5]

There are major differences in the incidence of and trend in low earnings among male and female household heads. The incidence among men is much lower in every year. However, the incidence increased for men and decreased for women, partially reflecting differences in unemployment patterns. Unemployment rates increased for both men and women, but the increase was much larger for men.

Table 2

Incidence of Low Weekly Earnings Among Household Heads Expected to Work and Unemployment Rates, 1967-1984

| | 1967 | 1972 | 1979 | 1984 |
|---|---|---|---|---|
| All Households | 19.4% | 19.1% | 19.7% | 26.1% |
| Male head | 13.9 | 14.1 | 14.4 | 21.1 |
| Female head | 53.4 | 47.8 | 42.4 | 44.9 |
| Unemployment Rates | | | | |
| Men, 20 years and over | 2.3 | 4.0 | 4.2 | 6.6 |
| Women, 20 years and over | 4.2 | 5.4 | 5.7 | 6.8 |

- That over a quarter of household heads expected to work could not earn enough to raise a family of four above the poverty line reinforces the need for policies to enhance earnings.

How do Household Heads with Low Earnings Escape Poverty?

Because the earnings of household heads can be supplemented by other sources of income and because the poverty threshold depends on family size, our measure of low earnings does not necessarily mean that the household is poor. As shown in Chart 1, most poor household heads expected to work had low weekly earnings (91.4 percent, or 6.09/6.66 million), but most heads with low earnings escaped poverty (64.2 percent, or 10.94/17.03 million).

Table 3 shows the means by which households headed by those with low earnings escaped poverty.[6] Most were able to do so because the earnings of the head exceeded the household's poverty threshold, implying a household of fewer than four persons. The next most important source was the earnings of other household members. Other private income sources and cash transfers follow in roughly equal importance. The role played by cash transfers is, however, small, due to the lack of availability of cash transfer programs for many of those expected to work and the relatively small average size of benefits for recipients, as detailed below.[7]

The last row of Table 3 shows that the percentage of all households in the group escaping poverty has increased over time. One of the more important factors has been the increased role of cash transfers.

Table 3

Sources of Escape from Poverty for Households Headed by Persons with Low Weekly Earnings, 1967-1984

| | 1967 | 1972 | 1979 | 1984 |
|---|---|---|---|---|
| 1. Family size less than four persons | 52.5% | 50.2% | 47.7% | 43.5% |
| 2. Earnings of members other than head | 22.1 | 17.6 | 15.3 | 19.3 |
| 3. Private income other than earnings | 6.8 | 7.7 | 7.8 | 9.9 |
| 4. Public cash transfers | 8.9 | 10.1 | 13.4 | 11.6 |
| 5. Some combination of 2-4 | 9.7 | 14.4 | 15.8 | 15.7 |
| Total sources of escape | 100.0 | 100.0 | 100.0 | 100.0 |
| Percentage of all low-earnings households escaping poverty | 60.0 | 63.3 | 67.0 | 64.2 |

What are the Demographic Characteristics of Poor Households in Which the Head is Expected to Work?

Table 4 shows the demographic and economic characteristics of poor households in which the head is expected to work. As we showed in Chart 1, in 1984 only about 10 percent of all households in which the head is expected to work are poor (6.66/65.33 million). Nonetheless, they represent almost half (6.66/14.16 million) of all poor households.

The top panel of Table 4 further classifies poor household heads expected to work by sex, race, Hispanic origin and presence of children. In 1984, roughly half (51.4 percent) consisted of single individuals or childless couples. Of the remaining 48.6 percent with children, 27.6 percent were white, 13.2 were nonwhite and 7.8 percent were Hispanic. Thus, while a majority of poor households with children were white, nonwhites and Hispanics were overrepresented.

Between 1967 and 1984, there was a "feminization" of poor households with a head expected to work—female-headed households with children over six increased from 13.4 to 17.7 percent of this group. The trend toward feminization was more pronounced among all poor households, as the percentage of households headed by women with children under six increased from 7.0 to 12.8 percent over this period (see Table 1).

- Minorities and households headed by women stand to gain disproportionately from policies to raise earnings and reduce poverty.

How Important are Government Transfers and the Head's Earnings as Income Sources for Households That Do Not Escape Poverty?

The bottom panel of Table 4 shows the proportion of poor households with children who received cash transfers, the weeks worked per year by

Table 4

Characteristics of Poor Households Headed by Those Expected to Work, 1967-1984

| | 1967[a] | 1972 | 1979 | 1984 |
|---|---|---|---|---|
| **Demographic Composition** | | | | |
| White, non-Hispanic | | | | |
| Men with children | 29.5% | 22.9 | 18.5 | 19.5 |
| Women with children over 6 | 7.8 | 7.4 | 9.0 | 8.1 |
| Nonwhite, non-Hispanic | | | | |
| Men with children | 11.5 | 8.5 | 5.7 | 6.2 |
| Women with children over 6 | 5.6 | 6.4 | 7.7 | 7.0 |
| Hispanic | | | | |
| Men with children | - | 4.6 | 4.3 | 5.2 |
| Women with children over 6 | - | 1.3 | 2.4 | 2.6 |
| Households without children | 45.6 | 49.0 | 52.3 | 51.4 |
| | 100.0 | 100.0 | 100.0 | 100.0 |
| **Transfer Recipiency and Earnings** | | | | |
| Male head with children | | | | |
| % receiving cash transfers | 17.1 | 20.4 | 32.3 | 38.2 |
| Average household transfers[b] | $2,871 | $3,336 | $3,086 | $3,260 |
| % working 0 weeks | 7.8 | 10.6 | 10.7 | 17.0 |
| % working $\geq$ 48 weeks | 71.8 | 69.3 | 52.7 | 45.6 |
| Average earnings of head[c] | $6,650 | $5,820 | $4,860 | $4,484 |
| Female head with children over 6 | | | | |
| % receiving cash transfers | 48.9 | 62.3 | 61.9 | 61.5 |
| Average household transfers[b] | $4,529 | $5,425 | $4,637 | $3,925 |
| % working 0 weeks | 55.7 | 53.6 | 50.6 | 50.3 |
| % working $\geq$ 48 weeks | 32.6 | 25.5 | 18.3 | 21.4 |
| Average earnings of head[c] | $3,531 | $3,699 | $3,783 | $3,818 |

[a]In 1967, data are not available for Hispanics. Both white and nonwhite categories for this year include Hispanics.
[b]In constant 1984 dollars for recipients.
[c]In constant 1984 dollars for heads with earnings.

the heads, the average amounts of household transfers and the earnings of the head, in constant 1984 dollars. Between 1967 and 1984, the share of those who received transfers increased from 17.1 to 38.2 percent for male-headed households, and from 48.9 to 61.5 percent for households headed by women. The average transfer amount (in 1984 dollars) peaked at $3,336 for males and $5,425 for females in 1972. Between 1972 and 1984, the average benefit declined substantially for single mothers.

The fact that less than 40 percent of poor male household heads and only about 60 percent of all poor female household heads received transfers, indicates a substantial gap in the safety net for many poor children.

There was a sharp decrease between 1967 and 1984 in the proportion of men who headed poor households and worked all year (from 71.8 to 45.6 percent) and a sharp increase in the proportion of those who did not work at all (from 7.8 to 17.0 percent). This undoubtedly reflects the increased unemployment rates, but may also reflect increased participation in transfer programs.[8] For women, the percentage who did not work at all diminished somewhat over the period, and the percentage working full year declined considerably (from 32.6 to 21.4 percent). Nonetheless, nearly half of the men and about 20 percent of the women (with children over six) who headed poor households worked full year in 1984.

For male household heads who worked, earnings in constant dollars declined substantially over the period, reflecting both the decline in work and the increased incidence of low earnings. Nonetheless, in every year earnings were much more important to these households than were

transfers. For female heads who worked, earnings in constant dollars increased somewhat over the period. However, because more female-headed than male-headed households received transfers and fewer had a working head, transfers were their most important income source.

- Poor male-headed households with children can benefit most from extensions of transfer programs and increased earnings, while female-headed households can benefit most from increased employment and transfer benefits.

How Much Do the Working Poor Pay in Taxes?

While some able-bodied heads of poor households receive transfers, the majority work and pay taxes. Table 5 shows the amount of taxes that a family of four at the poverty line (a low earner by our definition) would have paid in federal income tax and social security tax if he/she had worked 52 weeks a year and had had no other source of income.

In 1984 this family would have paid $366 in personal income tax and $711 in Social Security taxes, or 10.1 percent of household income. Not only is this tax burden high in an absolute sense, but it is also high in comparison to the taxes imposed on similar poor households in earlier years. Column 3 shows that even though Social Security taxes steadily increased between 1965 and 1984, they were offset by reductions in federal income taxes during the 1970s. The result was a decline in effective tax rates (shown in column 5) from 4.4 percent in 1965 to a low of 1.3 percent in 1975. This stands in sharp contrast to the effective tax rate on working poor households of 9.6 percent in 1982 and 10.1 percent in 1984.

Table 5

Federal Direct Tax Bill for a Family of Four with Poverty-Line Earnings, 1965-1984[a]

| | Poverty Line Earnings (1) | Personal Income Tax[b] (2) | Social Security Tax (Employee's Share) (3) | Total Federal Tax (4) | Effective Tax Rate[c] (5) |
|---|---|---|---|---|---|
| 1965 | $ 3,223 | $ 31.22 | $116.83 | $ 148.05 | 4.4% |
| 1969 | 3,743 | 104.02 | 179.66 | 283.68 | 7.6 |
| 1971 | 4,137 | 54.18 | 215.12 | 269.30 | 6.5 |
| 1973 | 4,540 | 33.60 | 265.59 | 299.19 | 6.6 |
| 1974[d] | 5,038 | 3.32 | 294.72 | 298.04 | 5.9 |
| 1975 | 5,500 | -250.00 | 321.75 | 71.75 | 1.3 |
| 1977 | 6,191 | -180.90 | 362.17 | 181.27 | 2.9 |
| 1978 | 6,662 | -133.80 | 403.05 | 269.25 | 4.0 |
| 1980 | 8,414 | -54.00 | 515.78 | 461.78 | 5.5 |
| 1982 | 9,860 | 285.00 | 660.62 | 945.62 | 9.6 |
| 1984 | 10,609 | 366.00 | 710.80 | 1,076.80 | 10.1 |

[a]Assumes a married couple with two children not living on a farm; only one earner per family; all income is from earnings.

[b]From 1975 to the present includes the earned income tax credit. A negative entry represents a refund to the family

[c]Defined as total federal tax as a percentage of family income.

[d]The Tax Reduction Act of 1975 rebated $100 of 1974 personal income taxes to a family at this income level.

- The tax burden on the poor has been rising at the same time transfer benefits have been eroded by inflation and employment has been reduced by high unemployment rates. Thus, tax reform provides an important antipoverty policy for the working poor.

What Should be Done?

We have shown that the heads of poor households who we define as expected to work suffer from low weekly earnings, lack of full-year work, declining transfers, and a growing tax burden. Thus, antipoverty policies for the working poor should attempt to increase the amount of work, supplement earnings, and reduce the taxes paid by the working poor.

The most effective antipoverty policy would be to lower unemployment rates to 5 or 6 percent. While unemployment rates have come down from their 1983 peak, the economy still has not achieved the unemployment rates that prevailed prior to the most recent recession. And because of reductions in the number of young labor force entrants in the last five years, unemployment rates around 5 or 6 percent would not produce significant inflationary pressures. Lower unemployment rates would create additional jobs for the employable poor who work less than full year.

Second, the personal income tax should be reformed so that the working poor are not taxed. This can be accomplished by raising the standard deduction, the personal exemption and/or the earned income tax credit (EITC). Also, the EITC, which currently supplements the earnings of low income workers with children, should be extended to poor childless couples and single individuals, who form a large proportion of the working poor and are ineligible for most welfare programs other than food stamps.

The Treasury's tax reform proposal does eliminate the personal income tax burden on the working poor in the year of implementation by increasing the standard deduction, personal exemption and EITC. However, the EITC should also be indexed to changes in the consumer price index, so that it will not be eroded by inflation as it was during the late 1970s and early 1980s. Indexation can also partially offset the erosion of transfer benefits for the working poor.

Third, a workfare program should be implemented. The work ethic is so pervasive that taxpayers and most recipients prefer work opportunities for the able-bodied to welfare. While some workfare programs seek only to reduce the number of recipients, this need not be the case. The issue should not be whether able-bodied persons must earn their income but rather how much income they can earn. Under many workfare programs, a recipient can work only until he or she has earned an amount equal to the welfare benefit. But if the program allows the recipient to work full time, workfare becomes a work-opportunity program, even if the job provides no training.[9]

While these changes would not eliminate poverty for the working poor, they would accomplish a significant reduction without increasing welfare dependence.

Notes

[1]Throughout this testimony we use the official measure of poverty as defined by the Census Bureau. This measure is based on cash income and does not account for the receipt of in-kind benefits, such as Medicare and food stamps. Exclusion of these benefits would lower the extent of poverty in any year, but would not alter the trends discussed here. Data for valuing in-kind benefits are available only for the years since 1979.

All the data presented in the tables and charts in this testimony are based on computations by the authors from the March 1968, 1973, 1980 and 1985 Current Population Surveys. Christine Ross and George Slotsve provided valuable research assistance; Elizabeth Evanson, editorial assistance.

[2]Households include both families and unrelated individuals.

[3]In 1984, the poverty line for a family of four was $10,609. We define any household head with weekly earnings below $204 as a low earner, regardless of his/her own household size. The poverty line for every family size is fixed in real terms and varies only because of changes in the Consumer Price Index. The same is true for our low-earnings threshold.

[4]For example, a head of a household of four persons who earns $250 per week would not be counted as a low earner even if she/he worked only 10 weeks last year. If this were the household's only income last year, the household would be poor. However, she/he would not be classified as a low earner because her/his household would escape poverty through full-year work. Also, consider a head of a two-person household who earns $150 per week for 50 weeks, or $7,500 per year. We classify this head as

a low earner, but her/his household is not poor because the poverty line for a two-person household is $6,762.

[5]Note that if a head did not work at all during the year, we consider him/her as a low earner, along with those whose reported weekly earnings fell below our threshold.

These results are not sensitive to our defining low earnings as a function of the poverty line for a family of four persons. We also redefined the low earnings population as those whose weekly wage was insufficient to keep a family of three out of poverty—that is, the cut-off was lowered to $159 from $204 in 1984 dollars. Low earnings increased from 19.4 to 26.1 percent as shown in Table 2; it increased a similar amount under this definition, from 15.2 to 20.0 percent. And, just as the measure used in the text, it rose rapidly for male household heads and declined somewhat for female heads.

[6]We classify low-earning household heads who escape poverty by the five mutually exclusive categories shown in Table 3. Escape because of family size indicates that even though the head's weekly earnings times 52 weeks were below the poverty line for a family of four, they were still above the poverty line for his/her own household. In other words, this household had fewer than four members. For each of the next three categories —earnings of other household members, other private income (which includes interest, dividends, rents, private pensions, etc.) and public cash transfers—we use the following procedure. First, we compute the gap between the poverty line and the head's earnings. If the amount of income from only one of these sources exceeds this gap, the household was taken out of poverty by this source. The residual category, some combination of these three sources, includes cases in which more than one

source exceeded the gap and cases where the gap was filled only by the sum of two or more sources.

[7]When we recompute the low earnings cut-off on the basis of a poverty line for a family of three, the importance of family size obviously decreases. Nonetheless, a family size of less then three persons is still the largest single source of escape for households whose heads have low earnings. The entries for 1984, corresponding to rows 1 through 5 in Table 3 are then 29, 27, 14, 16, and 19 percent, respectively.

[8]We have shown elsewhere that the increased transfers can account for, at most, small declines in work effort over this period. See S. Danziger and P. Gottschalk, "The Poverty of Losing Ground," Challenge, May-June 1985.

[9]Many studies suggest that employment programs have had little impact on the subsequent earnings or hours of work of participants. That is not the proper criterion, however, for evaluating the employment component of workfare. Its objective is to reduce current income poverty without increasing welfare dependency. Any increases in future earnings are an added benefit.

Mr. FRANK. Thank you, Mr. Gottschalk.

I am interested in what you had to say about workfare, and I think there is a great deal to be said for it. But the State of Massachusetts has been doing some work in that area——

Mr. GOTTSCHALK. Yes.

Mr. FRANK [continuing.] Where the employment service and the welfare department have been working together very well, facilitated by the fact that the two heads of the two agencies are married to each other.

Mr. GOTTSCHALK. I didn't realize that.

Mr. FRANK. The head of the department of employment security is married to the welfare commissioner.

Mr. GOTTSCHALK. You see, we academics are trying to understand why it works, and I didn't know that. That's the explanation. This is a marriage policy which we should certainly enact around the Nation.

Mr. FRANK. That's one. And it cuts across jurisdiction lines for us because it's both the labor department through the DES and the health and human services department through the welfare department.

But I appreciate your point. Now, as I understand it, you're suggesting that it would be legitimate to say that you must work up to the point at which you get whatever benefit you're getting and you may work thereafter?

Mr. GOTTSCHALK. Right.

Mr. FRANK. You're not forced beyond that.

What would the day-care implications of that be?

Mr. GOTTSCHALK. One, I would suggest that the same day-care provisions which are under the must part be extended to the may part.

Mr. FRANK. And it would pay off, in that case.

Mr. GOTTSCHALK. Yes.

Mr. FRANK. Well, I appreciate this. I think you've done some useful distinction setting. I guess the thrust of what you're saying is that we have a substantial number of people who are in the expected-to-work category, many of whom apparently do work and don't receive welfare payments or other subsistence payments, who continue to be poor by our own definitions, and the question is what do we do to try to get beyond that.

Just one statistical question. We had a kind of stability in the number of working poor, I guess it was, I am told, 6.5 million or thereabouts, and in the last few years we've seen an increase. Do we have any understanding of why that is?

Mr. GOTTSCHALK. Well, I think that a large part of that is the recession. The recession was exceedingly deep, as you all know. The recovery was not even. The fact that we have unemployment rates of 7 percent today when we claim to be in a recovery is just simply inconsistent with what we considered expansions to be before. So we have had a very uneven recovery, which basically has never filtered down to low-income people. And I think that's the primary cause.

There were some cuts, some budgetary cuts, which have impacted low-income people as well.

Mr. FRANK. I appreciate that distinction because I think economic growth obviously is an important good, and I would hope we would all be supportive of it. And I appreciate your distinction that at least for the people you're talking about, for whatever reason, whatever problems they've got, whether they're societal problems or their own personal problems or, as is probably the case, some combination of the two in most cases, they're in the kind of position where they don't necessarily benefit from economic growth but they are clearly the first victims of economic cutbacks.

Mr. GOTTSCHALK. Right.

Mr. FRANK. So they are in a position to be hurt by the general economy more than they are to be helped. And I guess part of what we have to try to find are policies that allow them to more fully participate in the upswing which they now get on the downswing.

Mr. GOTTSCHALK. Certainly, in this recent recovery, everything is lagging for the low-pay, at the bottom.

Mr. FRANK. But they were still better off than they would have been—it's my own sense is that from the standpoint of this group of people, a strong economy is a necessary but not a sufficient condition for them to be able to do well.

Mr. GOTTSCHALK. Right.

Mr. FRANK. That we need to have that strong economy, that they get hurt in a recession, but there is no automaticity that says that whatever it is that's causing them problems will solve their economic problems.

Thank you.

Mr. Lightfoot.

Mr. LIGHTFOOT. Thank you, Mr. Chairman.

Again I compliment you on your testimony. I like the way you summarized and got to the main points. It makes it easy for those of us who are slow readers to pick up on the points you wanted to make.

Maybe this is more of a personal hangup than anything else. But isn't one of the problems that we have in defining who the poor are to some degree a matter of definition?

As an example, New York, Massachusetts, Iowa, Texas represented here, your State, and when we put in a formula that $x$ number of dollars per person, you know, where you've got this line, it might be an extremely distressed situation in one area when another someone at that same level of income and meeting that same description could be considerably better off due to local conditions, and that we have a problem when we try to do something on a national level of legislating who is poor and who isn't?

It's a bit of a perception. Like, I was raised on a farm, and by today's standards, you know, man, we were really poor folks. But at the time, we didn't think it.

Mr. GOTTSCHALK. Sure. Let me first comment on the question of regional differences in costs. I mean, you know, one can say that in Maine you can cut your own wood, you can go fishing, and the cost of living in Maine is lower than in New York. I mean, there is no doubt about it, that's true. Therefore, I think I basically never use regional or State statistics. I don't think that we can very accurately say there are twice as many poor in Maine as in Iowa or numbers like that.



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However, what I am interested in, and I think what this committee should be interested in is the changes in poverty over time. And if poverty goes up or down, the lines may be that in Maine the line is here and the line in Iowa is here, but if we observe more people going into poverty, that says that things are getting worse and things are getting better when you get lower numbers.

So there is a lot of argument. In fact, directly after this, I am going to a conference in Williamsburg to talk about the measurement of poverty and how we should count in-kind transfers. And we can get into all sorts of arguments about whether the poverty line is right or wrong. I think that that's a useless debate.

It seems to me that if you fix the line and you watch how many people move up or down, above that line and below that line, that tells you something about where the economy is going, and that's the only way I think these numbers are useful.

Mr. LIGHTFOOT. Are there within the group that we generally would accept to be classified as poor in the country, are there groups within that that we see some changes in one way or the other that you can identify? Is there a specific group that may be moving further down maybe than the rest of the group? Are there any definitions in that area that you can mention?

Mr. GOTTSCHALK. Yes. Certainly, over the long term, so if you look beyond cyclical swings, there is a feminization of poverty. There is no doubt about that, that we are having more and more females who are poor. However, when you go into a recession, there is a masculinization of poverty. Obviously, when you go into a recession, the people in the labor force are the ones who are going to get hurt. They are predominantly males. So what you found was that in the 1979 recession and the 1981–82 recession, that you had a large increase in the proportion of males. Now, as we come out of that recession slowly, you will find that there is a decrease in the proportion of men. So that's that male-female distinction.

The other one that I think is tremendously important for people to understand—when I go around talking to groups, I ask them to guess whether the elderly have a lower or a higher poverty rate than the nonelderly? That's a simple question. If you look at an old person, are they more or less likely to be poor than the nonelderly?

Uniformly, people tell me, "The elderly are more likely to be poor than the nonelderly." That's wrong. The elderly are less likely to be poor than the nonelderly. But that wasn't true in 1967. In fact, in 1967 the elderly were twice as likely to be poor as the nonelderly. So there has been a dramatic drop in the proportion of people—in the poverty rates among the elderly.

Why? Folks, because throwing money at problems sometimes works. That's called Social Security. It's called Social Security. It's called SSI. And when this Nation decided that it wanted to protect old folks—basically, because you and I are going to become old folks is my reading of why we decided to do that—we wanted to protect ourselves when we were old. We solved the problem. Now, an elderly person is less likely to be poor, by the official measurement. And we can argue about whether that's the right line for the elderly, but I think that's a futile debate.

I am looking over time. The poverty rates among the elderly went way down, yes.

Mr. LIGHTFOOT. Since the men tend to move in and out of this thing——

Mr. GOTTSCHALK. Yes.

Mr. LIGHTFOOT [continuing]. Should they be included in this group?

Mr. GOTTSCHALK. In this group of——

Mr. LIGHTFOOT. Poor.

Mr. GOTTSCHALK. Well, some do. Poverty, sort of permanent poverty, you will find that even during the best of times. In 1978–79, around that period, I think that the poverty rates for males expected to work—actually it's probably in the testimony and I could probably get it for you—my guess is in the order of 6 to 7 percent. That still says that 6 or 7 percent of males who are expected to work, who are not disabled and so on and so on, weren't making it. It's a much smaller group; however, you know, then the question is, "What do you want to do? Is that a small enough group that you want to say, 'Well, you know, it's not all that important.' Is it a big enough group to worry about?"

I think those are political decisions. If my number of 6 or 7 percent is wrong, I will change it in the testimony.

Mr. LIGHTFOOT. One quick question, and then we will have to go vote here in a moment. Do you see any trends for the working man?

Mr. GOTTSCHALK. Yes. I think that things are going to—if things are going to get better, they're going to get better incredibly slowly. I think that we have "come out of the recession." If you listen to people who talk about the macroeconomy, we're doing real well right now. We're doing real well with unemployment rates at 7 percent.

If on top of that you put sort of this long-term increase in inequality which we find in the data, there is no sight that that is going to change. I dare say that we're not going to see much of a reduction in poverty among male-headed households, no.

Mr. LIGHTFOOT. Thank you.

Mr. FRANK. Thank you very much.

If you can stay a few minutes, we're going to recess to vote, and our other two colleagues I think would like to question you. So if you can stay? You're going to be back?

Mr. BOULTER. Mr. Chairman, I will not be able to come back. I am sorry, Mr. Chairman.

Mr. FRANK. I appreciate that. There is another markup.

So you will be excused now. I just wanted to check. I understand that there are a lot of conflicting, unfortunately, last-minute stuff.

So there is no point then in your having to stay.

Mr. GOTTSCHALK. Thank you, Mr. Chairman.

Mr. BOULTER. Mr. Chairman.

Mr. FRANK. Yes, Mr. Boulter——

Mr. NIELSON. Mr. Chairman, without objection, I would like to enter into the record a statement, though.

Mr. FRANK. Certainly. Is there any objection?

Mr. LEVIN. Mr. Chairman, I have no objection. I just wanted to ask a question.

Is there a major geographic breakout of poverty that's not in here?

Mr. GOTTSCHALK. It is not in here. We haven't done it that way. The South has higher poverty rates than the North. And I could furnish that if you want it.

Mr. LEVIN. If you would, we would appreciate that.

Mr. GOTTSCHALK. OK. Thank you.

Mr. LEVIN. Thank you.

[The opening statement of Mr. Boulter follows:]

OPENING STATEMENT OF THE HONORABLE
BEAU BOULTER BEFORE THE SUBCOMMITTEE
ON EMPLOYMENT AND HOUSING

Mr. Chairman, I welcome the opportunity to speak at this hearing. I'm particularly proud to be here representing a Republican Party that has in recent years become far more sensitive to the problems of America's poor, and has advanced a coherent set of programs - from welfare reform to enterprise zones to stimulating widespread economic growth - for combatting those problems.

I must confess, however, Mr. Chairman, my strong suspicion that the plight of the poor, for which all of us here feel concern, will not be alleviated any by this hearing. I'm afraid we have assembled to address a non-problem - an oxymoron, in fact.

The "working poor." That's our subject. But think about it. Does that phrase have any correlative in real life? Is there such a thing as the working poor?

I would answer no. Those are two words that cannot possibly go together. My opinion is based on both empirical evidence and an intuitive understanding of how this nation and free people operate.

The statistics will tell us that we are talking about only six percent of persons below the official poverty line (which, by the way, is a standard of living most people in the world aspire to). That's how many of the poor are working full time. Not a large number, and the figure dwindles into almost total insignificance when we consider the studies showing that poverty is persistent only among those who do not work. In other words, anyone who is working almost certainly will not remain below the poverty level longer than a year or two if he or she continues to work.

But statistics can't tell the whole story. And, indeed, I'm certain there are a number of able persons here today who can and will make an alternative case with statistics. But I would ask everyone here to look at the matter with your hearts. Ask yourselves honestly: What is poverty?

I think it's a state of mind. It's a lack of faith in the future, a sense that there's nowhere to go but around the same dismal circle of despair.

Almost by definition, a person who is working has faith in the future. He or she has a hand firmly on the first rung of the ladder and is looking upward. And it's almost axiomatic that anyone in the United States who is trying to climb that ladder will ascend it, and, invariably, his material circumstances will soon enough correspond with the wealth he has in his mind.

We'll no doubt hear the alternative premise today - that poverty is simply a matter of how much money one makes. We'll probably hear about dead-end jobs, minimum wages and all the other statist arguments that assume people cannot make their way up the ladder of opportunity without government's help.

But ask anyone who holds one of those so-called dead-end jobs what he thinks his prospects are. Ask anyone genuinely engaged in the American economy about the future. The answer you will get will not be that of a poor person.

Full-time workers in the United States of America are not poor. We here in Washington would do well to understand that and move on to the more pressing concerns dictated by the budgetary constraints we're faced with.

Mr. FRANK. We will be in recess.

[Recess taken.]

Mr. FRANK. We will reconvene. We have been joined by our very diligent ranking minority member who had a little bit of a schedule uncertainty here, and he is with us.

I understand the gentleman from Utah had a statement he wanted inserted in the record. Without objection, that statement will be inserted.

[The prepared statement of Mr. Nielson follows:]

STATEMENT OF THE
HONORABLE HOWARD C. NIELSON

BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT AND HOUSING
GOVERNMENT OPERATIONS COMMITTEE

IT IS MY UNDERSTANDING THAT WE HAVE OVERSIGHT JURISDICTION OVER THE DEPARTMENT OF LABOR AND ITS VARIOUS PROGRAMS. IN THAT RESPECT, THERE ARE A NUMBER OF PROGRAMS ADMINISTERED BY THE DEPARTMENT THAT ARE DESIGNED TO ASSIST LOW-INCOME WORKERS, AND IT IS WITHIN OUR AUTHORITY TO DIRECT OUR FOCUS ON HOW THESE PROGRAMS CAN BE MORE EFFECTIVELY AND EFFICIENTLY MANAGED. IN ADDITION, THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OFFERS A NUMBER OF PROGRAMS TO ASSIST LOW-INCOME WORKERS WHICH ALSO FALL UNDER OUR COLLECTIVE "EYE." I TRUST THE CHAIRMAN WILL CONTINUE TO ENSURE THAT THIS SUBCOMMITTEE STAYS WITHIN ITS JURISDICTIONAL LIMITS AND CONCENTRATES ON THE ABOVE MENTIONED PROGRAMS.

THE SUBJECT OF POVERTY IS ONE OF THE MORE EMOTIONAL THAT WE IN CONGRESS MUST DEAL WITH. LET THERE BE NO MISUNDERSTANDING. DESPITE WHAT ANYONE MAY SAY, WHETHER IN THIS BODY OR ANY OTHER, MEMBERS ON BOTH SIDES OF THE AISLE -- BOTH DEMOCRAT AND REPUBLICAN -- ARE CONCERNED ABOUT THE POOR. THE FACT THAT CONSERVATIVES AND LIBERALS USUALLY ENDORSE VASTLY DIFFERENT APPROACHES FOR DEALING WITH THIS PROBLEM IN NO WAY IMPLIES THAT THE COMMITMENT OF EITHER IS ANY LESS SINCERE.

WITH THAT SAID, I WELCOME OUR GUESTS HERE THIS MORNING, AND LOOK FORWARD TO A FRANK AND FACTUAL DISCUSSION ABOUT THE VARIOUS PROBLEMS THAT CONFRONT WORKERS IN THEIR EFFORT TO PROVIDE A COMFORTABLE LIVING FOR THEMSELVES AND THEIR FAMILIES.

Mr. FRANK. We will now proceed to our next witnesses: Amy Gluckman, who is the legislative director of Nine-to-Five; and Vikki Gregory, who is the director of the Women's Work Force Network Division of Wider Opportunities for Women.

At this point I would like to submit for the record, if there is no objection, a copy of some answers that were submitted to us by Commissioner Janet Norwood of the Bureau of Labor Statistics to some factual questions we asked of the Bureau of Labor Statistics, having some of the responsibility for statistical collection in this area.

[The information follows:]

Congress of the United States
House of Representatives
Washington, D.C.
September 9, 1985

Ms. Janet Norwood
Commissioner
Bureau Of Labor Statistics
Department Of Labor
200 Constitution Ave., N.W.
Washington, D.C. 20210

Dear Ms. Norwood:

On October 3, 1985 the Government Operations Subcommittee on Employment and Housing, which I chair, will hold a hearing to explore the problems of the working poor and the possible need for federal policy responses. The hearing will be the first in a series of hearings to look into the relationship of work and poverty.

The Bureau of Labor Statistics has responsibility for analyzing labor data collected by the Census Bureau. I would appreciate your assistance in providing answers to the following questions on labor data to be included in the hearing record:

1.What is the full extent of poverty among workers? Who are the working poor by race, sex, age, and family status?

2.Please comment on any trends for the working poor such as an increase or decrease in numbers of workers in poverty and trends for minorities and women.

3.Please comment on potential causes of poverty among workers, such as the prevalence of low wages, periods of unemployment, and involuntary part-time unemployment. Among the various factors, in relative terms, which is the most important?

4.How many Americans are now working at minimum wage? If BLS is unable to answer this question, why doesn't BLS have data?

5.How many workers and their families would be lifted from poverty by an increase in the minimum wage?

6.How valid is the hardship measure in the BLS annual report when it is linked to minimum wage earnings without adjustment for inflation?

7.What is the role of BLS in analyzing and disseminating Census information? Does BLS' role extend to analyzing data concerning the working poor? Is there a risk of BLS and Census duplicating efforts?

I look forward to your response to these questions. To provide the necessary time to review the material, please submit your answers before or on September 18, 1985. I appreciate your cooperation in complying with this timeframe. Thank you for your assistance in providing valuable information on the working poor for the Subcommittee's hearing.

BARNEY FRANK

BF/bc

OCT 23

OCT 21 1985

Honorable Barney Frank
House of Representatives
Washington, D.C. 20515

Dear Congressman Frank:

I am replying to your letter of October 7 concerning the role of the Bureau of Labor Statistics in the analysis of data collected by the Census Bureau.

The working relationship and division of responsibility between the Bureau of Labor Statistics and the Bureau of the Census with regard to labor force data and related topics was the subject of an agreement entered into by the Secretary of Labor and the Secretary of Commerce in November 1958. Under the terms of this agreement, the Bureau of Labor Statistics was assigned sole responsibility for the analysis of the labor force data derived from the Current Population Survey (CPS). The Bureau of the Census was to retain responsibility for the collection of these data and for "issuing reports concerning income, education, migration and numbers and characteristics of households, characteristics of the total population, and related matters..."

Over the years, the work of the two Bureaus has been coordinated through regular meetings of the officials of the two agencies and, in some cases, through the good offices of OMB, whose director was also a signatory to the 1958 agreement. By and large, we have had an excellent working relationship, and I believe there have been few instances of duplication of effort.

The Nation's statistical system is, as you know, a decentralized one in which each of the major statistical agencies specializes in those areas in which it has the most to contribute. In the original law creating the BLS in 1884, Congress gave the Bureau of Labor Statistics responsibility for the collection and analysis of information "... upon the subject of labor, its relation to capital, the hours of labor and the earnings of laboring men and women, and the means of promoting their material, social, intellectual and moral prosperity."

Let me now turn to your specific questions:

1. The Bureau of the Census--which looks at the incidence of poverty among the entire population--has just issued data showing that 22.2 million persons 15 years of age and over were below the poverty level in 1984. Of these, 9.1 million had worked during the year, with 2.1 million of them having worked full-time year-round. Additional information on these workers can be found in the Census Bureau's report, Money Income and Poverty Status of Families and Persons in the United States: 1984 (Series P-60, No. 149).

   Work in the Bureau of Labor Statistics has focused primarily on the poverty status of workers deemed to have encountered specific employment problems--unemployment, involuntary part-time employment, and earnings below the minimum wage equivalent despite year-round full-time work. While we have not yet published any data for 1984, the total number of workers with either of these three problems (or a combination of them) who were in poverty in 1983 was 7,796,000. A further discussion of these workers can be found in the enclosed report, Linking Employment Problems to Economic Status, (BLS Bulletin 2222).

2. Our studies have found that there was a progressive increase between 1979 and 1983 in the proportions of workers with either of the three problems listed above whose income fell below the poverty level. These proportions, with some breakdowns by sex and race and some hypotheses as to why they have increased, are presented in Bulletin 2222. Again, the data for 1984 have not yet been analyzed.

3. In terms of absolute numbers, the workers whose poverty status is associated with a period of unemployment exceed those workers whose poverty is associated with the other two factors. However, the largest proportion of workers in poverty--30.5 percent in 1983--has been found among those who had year-round full-time jobs but whose earnings fell below the minimum wage equivalent.

4. The Bureau has only approximate data, derived from the Current Population Survey, on how many workers are paid the minimum wage. These data show that, among the 54.1 million workers paid at an hourly rate, about 4.1 million were reported in 1984 as being paid the minimum wage level of $3.35 per hour. Another 1.8 million workers were reported as earning less than the minimum wage level. (See the enclosed table.) While these data are quite revealing, we must recognize that they are subject to sampling errors and there are difficulties in reporting and estimating these earnings data. More precise data on this topic could only be obtained by means of wage distribution surveys conducted through the employers. While we have conducted surveys of this type in the past with funds provided by the Labor Department's Employment Standards Administration, budgetary constraints of recent years have not permitted such undertakings.

5. We acknowledged in Bulletin 2222 that one of the reasons for the decline in the number of persons with low earnings--and for the increase in their poverty rate--was that the low earnings line, which is the same as the official minimum wage, has been held constant in recent years. That is, since 1981 we have been counting as low earners only those workers whose earnings from a full year's work fell below $6,700. At the same time, the poverty thresholds have been adjusted upward each year to reflect the increases in the Consumer Price Index. The outcome has been that, even with only moderate increases in the prevailing wage levels, there has been a decline in the number of persons whose earnings fell below this line.

6. As I mentioned above, the responsibilities for the historical relationship between Census and BLS has been based upon the 1958 agreement relating to the Current Population Survey. At the present time, the two agencies are discussing the role of each in a new survey underway at the Census Bureau--the Survey of Income and Program Participation (SIPP). We hope to work out arrangements which will recognize the special position of BLS in analysis of the labor market and ensure that the skills of both agencies are brought to bear without duplication of effort.

I hope that this information, coupled with the material I am sending you, will have answered your questions. Should you need additional information, please do not hesitate to contact us again.

Sincerely yours,

Janet L. Norwood

JANET L. NORWOOD
Commissioner

Enclosure

Table 5. Workers paid hourly rates with earnings at or below the prevailing minimum wage selected characteristics, 1984 annual averages

| Characteristic | Number of workers (thousands) | | | | Percent distribution | | | | Percent of all workers paid hourly rates | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | At or below $3.35 | | | | At or below $3.35 | | | | | |
| | Total paid hourly rates | Total | Below $3.35 | At $3.35 | Total paid hourly rates | Total | Below $3.35 | At $3.35 | At or below $3.35 | Below $3.35 | At $3.35 |
| **Sex and age** | | | | | | | | | | | |
| Both sexes, 16 years and over | 56,183 | 5,963 | 3,839 | 2,124 | 100.0 | 100.0 | 100.0 | 100.0 | 11.0 | 7.1 | 3.9 |
| 16 to 24 years | 14,696 | 3,102 | 2,041 | 1,061 | 26.2 | 52.0 | 53.2 | 49.9 | 21.1 | 13.9 | 7.2 |
| 25 years and over | 38,699 | 2,861 | 1,798 | 1,063 | 68.8 | 48.0 | 46.8 | 50.1 | 7.4 | 4.6 | 2.7 |
| Men, 16 years and over | 29,169 | 2,119 | 998 | 1,121 | 51.9 | 35.5 | 26.0 | 52.8 | 7.3 | 3.4 | 3.8 |
| 16 to 24 years | 8,290 | 1,182 | 726 | 456 | 14.8 | 19.8 | 18.9 | 21.5 | 14.3 | 8.8 | 5.5 |
| 25 years and over | 19,911 | 823 | 361 | 462 | 35.4 | 13.8 | 9.4 | 21.8 | 4.1 | 1.8 | 2.3 |
| Women, 16 years and over | 26,911 | 3,843 | 2,841 | 1,003 | 48.8 | 64.5 | 74.0 | 47.2 | 14.3 | 10.6 | 3.7 |
| 16 to 24 years | 7,406 | 2,020 | 1,316 | 704 | 13.2 | 33.9 | 34.3 | 33.1 | 27.3 | 17.8 | 9.5 |
| 25 years and over | 18,787 | 1,758 | 1,525 | 599 | 33.5 | 29.5 | 39.7 | 28.2 | 9.4 | 6.1 | 3.2 |
| **Race, Hispanic origin, and sex** | | | | | | | | | | | |
| White | 46,394 | 4,913 | 3,138 | 1,775 | 82.6 | 82.4 | 81.7 | 83.6 | 10.6 | 6.8 | 3.8 |
| Men | 24,084 | 1,684 | 811 | 873 | 42.9 | 28.2 | 21.1 | 41.1 | 7.0 | 3.4 | 3.6 |
| Women | 22,310 | 3,230 | 2,326 | 1,902 | 39.7 | 54.2 | 60.6 | 42.5 | 14.5 | 10.4 | 4.3 |
| Black | 6,623 | 956 | 659 | 297 | 11.8 | 16.0 | 17.2 | 14.0 | 14.4 | 9.9 | 4.5 |
| Men | 3,104 | 375 | 241 | 134 | 5.5 | 6.3 | 6.3 | 6.3 | 12.1 | 7.8 | 4.3 |
| Women | 3,577 | 581 | 418 | 163 | 6.4 | 9.7 | 10.9 | 7.7 | 16.2 | 11.7 | 4.6 |
| Hispanic | 3,693 | 615 | 391 | 224 | 6.6 | 10.3 | 10.2 | 10.5 | 16.7 | 10.6 | 6.1 |
| Men | 2,165 | 279 | 141 | 137 | 3.9 | 4.7 | 3.7 | 6.4 | 12.9 | 6.5 | 6.3 |
| Women | 1,528 | 336 | 250 | 87 | 2.7 | 5.6 | 6.5 | 4.1 | 22.0 | 16.4 | 5.7 |
| **Full or part time and sex** | | | | | | | | | | | |
| Full-time workers | 46,263 | 3,478 | 1,981 | 1,497 | 82.4 | 58.3 | 51.6 | 70.5 | 7.5 | 4.3 | 3.2 |
| Men | 27,888 | 1,543 | 774 | 769 | 49.6 | 25.9 | 20.2 | 36.2 | 5.5 | 2.8 | 2.8 |
| Women | 18,374 | 1,935 | 1,207 | 728 | 32.7 | 32.4 | 31.4 | 34.3 | 10.5 | 6.6 | 4.0 |
| Part-time workers | 11,920 | 2,485 | 1,858 | 627 | 21.2 | 41.7 | 48.4 | 29.5 | 20.8 | 15.6 | 5.3 |
| Men | 3,281 | 576 | 378 | 198 | 5.8 | 9.7 | 9.8 | 9.3 | 17.6 | 11.5 | 6.0 |
| Women | 8,639 | 1,909 | 1,480 | 429 | 15.4 | 32.0 | 38.6 | 20.2 | 22.1 | 17.1 | 5.0 |

Source: U.S. Department of Labor
Bureau of Labor Statistics
October 1985

Mr. FRANK. Please proceed, Ms. Gluckman. We have you first, so why don't you go first?

## STATEMENT OF AMY GLUCKMAN, LEGISLATIVE DIRECTOR, NINE-TO-FIVE

Ms. GLUCKMAN. OK. I will be fairly brief. I am certainly the least expert of your guests today, and I want to express our real appreciation for your having included an activist organization in this hearing, because sometimes activist organizations can't have——

Mr. FRANK. OK. Please just get right to the testimony. It's always nice to be thanked, but we'd rather just have the testimony.

Ms. GLUCKMAN. OK. First, I want to reemphasize what Mr. Gottschalk said about the misperception of the poor as primarily people who are on AFDC, or equivalent kind of general relief.

We concentrate mostly on Massachusetts, so most of my figures will be for the Boston area or for Massachusetts.

In Massachusetts, as closely the department of public welfare can estimate, about half of poor Massachusetts residents are in households receiving AFDC. In other words, half are not. Furthermore, the average length of time that Massachusetts AFDC clients stay in the program is only 2.2 years. So it's a real myth that there is a consistent large group of people who are permanently on AFDC. Most poor people are either permanently working poor or for large periods working poor.

The second thing that I would like to emphasize is that we focus, of course, on women, particularly on women heads of households. I think that the public discussion about the poverty of female-headed households is unbelievably muddled by—but kind of a moralism that somehow female-headed households are morally deficient. And that may be true, but it doesn't really help us figure out what's going on with their economic situation or help them to improve it.

Although some 10 to 20 percent of single parent households are headed by men, nobody ever really makes a fuss about them, basically because they're not disproportionately poor. And furthermore, all the sort of moralism that tends to pervade our discussion of female-headed households I think prevents us from seeing the real factor, the real reason why female-headed households are poor, which is that women don't earn enough. The occupational categories in which women are concentrated simply don't pay living wages. This is the problem that in our experience we see over and over again.

Next, before I go on to a sort of case example that I have reconstructed of a lot of the people that we deal with, I just want to say that I think it's important that the official poverty level bear some relationship to the actual cost of living. I understand that, as Mr. Gottschalk said, it's not important for academic purposes, particularly for longitudinal studies, but it is important in terms of the public perception of how many poor people there are. In 1984, a family of three was not considered poor if its income was above $8,277 a year. That's a ridiculous figure. And for purposes of public information, it's important that those figures reflect in some reasonable way the cost of living.

Now, I have tried to present a budget for a woman of the kind that we work with and for and that we are, in fact, because we are a membership organization. You can read through the statistics.

This woman works as a word processor, which is one of the higher class clerical occupations. And she ends the month—after having paid her rent, her childcare, her food bill, her T-pass, her telephone bill and some laundry—with $8. If she manages to work through the application for a section 8 housing subsidy, she ends the month with $68.

I think that this example, which is pretty typical, should make clear how unrealistic the poverty level is and how many poor—actually poor—people there are whose incomes are well above the poverty level, particularly women supporting children.

Now, the emphasis that we take from this is that something has to be done about comparable worth. The reason why women are poor is because their jobs don't pay them enough to support a family. Mr. Gottschalk's standard of poverty-level earnings was that an individual should be able to support a family of four at the poverty level. In 1980, half of women workers didn't earn enough to support a family of two at the poverty level. That situation has not been changing.

Women's wages as a percentage of men's wages have changed virtually not at all in the last 20 years. The fact that this isn't changing is emphasized even more by the fact that, for example, among managerial workers, where women have entered the managerial ranks in fairly significant numbers in the last 20 years, the pay differential between men managers and women managers is the same as the pay differential between men and women overall.

Furthermore, in terms of this problem, we are particularly concerned that we see the same pattern of women's jobs being those which are low paid and dead end, emerging in new fields and new occupations and new industries.

For example, with computers, the Bureau of Labor Statistics has three categories of jobs for computer operators short of actual computer programming. Of them, two are low paid, dead end, highly supervised, and they are primarily filled by women. The third is better paid, requires, according to the Bureau of Labor Statistics, some use of independent judgment, and these are jobs which they claim will, through some on-the-job experience and perhaps additional training, lead to supervisory positions or to jobs as actual computer programmers. That position is more than half filled by men.

So we see the exact same pattern of occupational segregation by sex emerging repeatedly in new areas. That is not going to change until concerted policy to implement comparable worth is undertaken at various levels.

Now, we are obviously not very sanguine about the possibility of some statutory requirement for any kind of comparable worth program in private industry, or at least not soon.

However, we believe that the State and Federal governments can take the lead by implementing comparable worth programs for State and Federal employees. This means setting up a new job classification system with gender-neutral job categories and using a job evaluation tool—of which there are several that have been created

by private consulting firms—to evaluate and classify jobs according to the new categories, and then, according to whatever schedule can be afforded, upgrading the pay of those whose pay has been disproportionately low.

Ultimately, comparable worth, we believe, is the only thing that is really going to alter the poverty situation of women, which basically means that it is the only thing that is going to alter the overall poverty situation in the country.

I can stop there for now.

[The prepared statement of Ms. Gluckman follows:]

9to5 Organization for Women Office Workers
Testimony before Subcommittee on Employment and Housing,
Committee on Government Operations,
U.S. House of Representatives

December 12, 1985

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My name is Amy Gluckman and I am the Legislative Chair of the Boston chapter of 9to5, the National Association of Working Women. 9to5 was founded in Boston in 1973, and is now a nationwide organization with 12,000 members in all fifty states. Our aim is to gain rights, respect, and improved pay and working conditions for office workers, the vast majority of whom are women.

We are very grateful for the opportunity to speak to you today about the working poor, and particularly, working poor women and their families. The people we will be talking about today have often been invisible in discussions of poverty in the United States; we believe that 9to5 and other organizations who focus specifically on women as workers have an important perspective to bring to the voluminous but generally rather limited national debate about poverty. Again, we express our appreciation to the subcommittee, which is doing a great service in focusing some public attention on the status and problems of working poor women.

The first thing to notice about poverty in this country is that most poor Americans are women and children. In Massachusetts, almost two-thirds of poor adults are women, and 76% of all poor are women and children. In this respect, the U.S. is similar to the less developed countries where, again, it is women and children who are disproportionately represented among the poor. While economic conditions outside the U.S. are not on our agenda today, it is useful to recognize the uniform, worldwide discrepancy between the income and assets of women and the income and assets of men. Recognizing this fact will help us to keep in mind the complex and deeply-rooted nature of women's economic situation: women and their families are not disproportionately impoverished just because the divorce rate has gone up in recent decades or because welfare programs fluctuate.

With the historical complexity of this situation firmly in mind, a few myths about poverty need to be dispelled before we can

focus accurately on the working poor. These days, public-policy discussions about poverty deal almost exclusively with public assistance, especially, Aid to Families with Dependent Children (AFDC), as if poverty and welfare covered exactly the same territory. In turn, the problem of what to do about poverty is almost always reduced to that of how to get families off of AFDC. While so-called welfare mothers may be the most visible of America's poor, they are not the only poor and, in fact, do not form as large or consistent a category as is generally thought. In 1983, for example, only about half of all poor Massachusetts residents received benefits under AFDC. In turn, the average length of time Massachusetts AFDC clients remain on the program is only 2.2 years. For the nation as a whole, of the 10.1 million families headed by women in the current year, 76% contain a labor-force member, who is in most cases the women household-head. Furthermore, as we will see, the official poverty standard is so unrealistic that there are many people who by any reasonable standard are poor but who do not appear in these statistics. What this means is that if we are concerned with ending the social ills stemming from poverty, then we have to pay attention to poverty itself and not only to welfare programs.

Second, we must clear away the fog of moralism and muddled thinking which confounds our attempts to come to grips with the problems faced by women who are single parents and household-heads. Why is it that no fuss is made over the 10-20% of single-parent households headed by men? The answer seems plain: they are not poor. In the most recent quarter, the median weekly income of these families was $4.00 less than that of married-couple households supported solely by the husband. But remarkably enough, for all of the public debate about poor female-headed households, one almost never hears it said that these families are poor because women's jobs pay poorly. Perhaps this point is too obvious to mention; however, I doubt it. It has become fashionable to argue that benefits under AFDC are too high -- that they compare favorably with the wages of real work and hence discourage labor-force participation on the part of poor women. The catch is, that those who make this argument rarely compare either AFDC benefits or women's wages with what it actually costs to live and raise a family. As we will see, when this comparison is made, it becomes

obvious that it is not AFDC benefits which are too high, but rather women's wages which are too low.

One final myth is that the official poverty level bears any relation to the real cost of living and raising a family. This should become clear as we focus on the situation of the working poor by examining the budget of a hypothetical woman who works as a word processor and supports herself and her two children, ages 4 and 7.

In Boston, this woman -- let's call her Claire -- would be earning on average $290 per week, or about $14,500 per year. This places her well above the official poverty level, which is $8,277 for a family of three. Claire is not eligible for the earned-income credit aimed at working poor families, and after taxes, she will take home about $245 a week. Now let's look at Claire's monthly budget. Her monthly income is $980. The average cost, including utilities, of a one-bedroom apartment in Boston is $475. Let's say Claire is lucky and finds one at $400; remember, this is a one-bedroom apartment for a family with two children. If Claire can feed herself and her family on $2.50 per person per day, then her monthly food bill will be $225. If she is extremely lucky, she may be able to find a spot for her preschooler in a day-care center for $75 per week, which is the low end of the range of day-care fees in Boston. This adds $300 a month, and her older child will just have to be a latch-key kid. If she works in or close to the city, she can cover her basic transportation costs with a $22/month subway pass. Basic telephone service adds $15 a month, and two loads a week at the laundromat add another $10.

Claire's expenses are now up to $972. With $8 left per month, she has bought no clothes or shoes, blankets or furniture, and has certainly not bought any books or toys for her children. She has paid no uninsured medical expenses, and no extra utility bills for the occasional very-cold winter. In addition to the Day Care Tax Credit on federal income tax, which is already reflected in Claire's take-home pay as quoted above, she may be eligible for a Section 8 housing subsidy of approximately $60 per month.

So Claire and her children are not, perhaps, truly poor. With careful planning and no extras, she will be able to make ends meet. It is clear, however, that without the Section 8 subsidy and the Day Care Tax Credit, which averages about $30 per month for families

at her income level, Claire would be teetering on the edge. And to be fair to the rest of our constituency, it must be pointed out that by the standards of the pink-collar ghetto, Claire is doing pretty well. Among Boston office workers, word processors come behind only full secretaries and stenographers in their pay level. Compared to typists averaging $237 a week, file clerks averaging $205, accounting clerks at $263 and data-entry operators at $261, Claire's $290 is high. And women in many other female-dominated occupations are worse off yet; Boston department store sales clerks, for example, earn under $200 a week. How low women's wages are can be seen more broadly in the fact that, in 1980, only 1/2 of American women workers earned enough to keep a family of two above the poverty level.

What we at 9to5 conclude from all of this -- and from our experience working with women who are employed full-time at skilled jobs yet who can barely provide adequately for their families -- is that the problem of poverty in general is inseparable from the sexism which continues to inhere in our occupational and wage structure. The social dynamics which are rapidly giving women greater economic responsibilities are not about to change. Hence, any realistic policy on poverty simply must include measures aimed at commensurately increasing women's economic power. The following are some specific policy areas which need to be addressed:

1. Comparable Worth -- As representatives of the largest female-dominated occupation, office work, we are acutely concerned that policies be developed which will help our economy move toward a structure in which equal wages are paid for work of comparable worth. The enforcement of equal pay for equal work does not mean much in an occupation which ranges above 90% female. (Incidentally, in the Boston metropolitan area as of 1979, men in those office-work subcategories in which there were enough of them for sampling earned from 20% to 42% more than women in the exact same subcategories.) All signs suggest that women's income situation is not improving. In 1982, for year-round full-time workers, the median annual earnings of women were 61.7% of those of men. Twenty-two years and a women's movement earlier, in 1960, the equivalent figure was 60.8%. Although women have begun to enter the ranks of managers

in significant numbers, the pay differential between men and women managers has remained the same as the pay differential between men and women workers overall.

Perhaps even more discouraging, we can see the traditional division -- low-paid, dead-end jobs for women versus better-paid jobs with advancement opportunities for men -- being reproduced in new industries and occupations. For example, the 1984 Occupational Outlook Handbook describes three categories of computer operating personnel, i.e., workers who operate computers but do not actually write programs. The jobs of data entry and peripheral equipment operators are described as being "under close supervision," "repetitive," and having "limited ... advancement opportunities." Naturally, these jobs are filled almost entirely by women. Computer operators, by contrast, "must use independent judgment"; they can advance to supervisory positions and, "through on-the-job experience and additional training, ... to jobs as programmers." Naturlly, more than half of these are men.

At the very least, the Federal Government should be setting an example and exerting its influence on the marketplace by implementing a comparable-worth based job classification and evaluation scheme for its own employees and, as quickly as is possible, giving the requisite pay increases. This scheme should be used to measure pay inequities based on race as well as on sex, with pay scales again adjusted accordingly. The Federal Government should also encourage states and localities to do the same for their employees, and reward those that do. Ultimately, we look forward to a statutory structure for bringing comparable worth to the private sector, but we realize that this will be no easy matter.

2. Day Care -- Both of the Federal programs which subsidize day-care costs -- the tax credit and the Dependent Care Assistance Plan -- work through the tax system. For families whose income and hence tax liability is low anyway, subsidies in this form are not of the greatest value. In 1982, for example, only 15% of the families who used the credit had incomes below $12,000. In this area, the Federal Government needs to create (or to replace the existing provisions with) a subsidy that is more directly aimed at low-income families. On a broader level, of course, the quality and availability of day care nationwide need to be addressed at

the federal level; but that is the subject of an entire hearing in itself.

3. Child Support -- Estimates of the number of divorced mothers who actually receive any child support from their ex-husbands vary widely, but it is probably safe to say that the percentage is less than half. The Department of Health and Human Services has begun to strengthen and centralize enforcement of child-support orders; these efforts are very welcome and should continue.

4. Medicaid for Working Families -- In Claire's budget, the assumption was made that she has medical coverage through her employer. Unfortunately, over 14% of Americans have no medical coverage, and although a breakdown is hard to find, we can probably assume that the uninsured are concentrated at lower income levels. I have been told of cases where individuals were forced to quit their jobs and return to AFDC or general relief only because they could not afford necessary medical treatment and needed Medicaid coverage. Extending Medicaid eligibility to include working poor families who do not have health insurance as an employer-paid benefit would help protect these families from the risk of being knocked back down the stairs by an unpredictable illness.

5. Training -- Job-training and "workfare" programs for low-income women need to be designed with comparable worth considerations in mind. In other words, training must aim to prepare a woman not just for any job, but rather for a job which will pay a family wage and help her to leave poverty as well as AFDC behind. In addition, training programs need to reflect the rapid changes underway in the automated office. 9to5 and others have predicted that some office jobs will be phased out and others will take on new shapes as the use of office automation systems is expanded. To the extent that these trends can be foreseen, training programs naturally need to take them into account. Including in office-work training programs as much basic computer education as possible, e.g. how computer systems operate and some elementary programming, would serve both of these ends.

Mr. FRANK. Thank you. We will get some further points in questions.

Next we will hear from Vikki Gregory, who is director of the Women's Work Force Network Division at Wider Opportunities for Women.

Ms. Gregory.

**STATEMENT OF VIKKI L. GREGORY, DIRECTOR, WOMEN'S WORK FORCE NETWORK DIVISION, WIDER OPPORTUNITIES FOR WOMEN, INC.**

Ms. GREGORY. Thank you. Like Ms. Gluckman, I am going to ask that my written testimony be made a part of the the full hearing record.

Mr. FRANK. Without objection, it will be so included.

Ms. GREGORY. OK. I think, first, that I need to talk a little bit about who we are and what we do.

Mr. FRANK. Please, let's not get into the organization. The purpose of this is the policy issues. We don't really need a lot of organizational stuff.

Ms. GREGORY. Well, I think it bears some relationship to what we need to discuss and to the rest of my testimony. I will certainly leave it to the written testimony to give you the full-fledged description of the organization. Suffice it to say that we approach, in the Washington metropolitan area, the problem of women's poverty through the other side of the strategy, which is, moving women into nontraditional occupations. And we do a skills training program for that purpose, which is funded by the Department of Labor and by private foundations and industry.

I think that it's important to look at the strategy of moving women into nontraditional occupations, since, as Ms. Gluckman said, the women's jobs which women predominate in are, by and large, not paid as well as men's jobs. So another strategy—and one strategy only, which certainly isn't the strategy for every woman—is to consider nontraditional occupations.

I want to talk a little bit about the typical WOW trainee and about the program, implications for that WOW trainee and for moving women into nontraditional jobs, and some of the impacts of employment and training policy on those programs. The average WOW trainee is a black, single mother between the ages of 19 and 26. And she has worked in a typically female job. She has seldom earned more than $4 an hour. She's had forced marginal and part-time employment. Her child care arrangements are informal and haphazard, and that can also be said for her housing.

Often, the illness of a child and the mother's lack of health coverage or leave time in her job bring her to us because she has gone on public assistance entirely.

Unfortunately, in our JTPA-funded programs, a woman must be totally unemployed for a certain number of weeks before she can gain entry into our program. That's not the case in our privately funded program. When the woman comes to WOW, she's had little knowledge of the full range of occupational choices available to her and has not been able to get that knowledge from any public agencies.

During the assessment period, which we also conduct, and which is not conducted by a public agency at this point, we find out that even though she's finished high school, she functions at a fifth- to seventh-grade reading and math skill computation level.

Of course, the entry requirement for our skills training advanced program is seventh grade. For the woman that falls below that grade level, she goes into what we call a basic skills training program where we give her remediation classes; we help her get a GED; she raises her functional literacy levels two grade levels, and she gets some career information.

For the woman with seventh-grade skills and above, she becomes part of our 20-week electronics and electromechanics skills training program that's partly JTPA and partly Rockefeller Foundation funded. Here she learns theory and technical skills about these two occupational areas. And she receives generic skills training rather than training for a specific job. And through this approach, we intend that she be able to take advantage of a full range of job offerings.

Besides the occupational training, she gets parenting, child care consumer training, help and counseling in finding dependable and safe child care, training in assertion and communications skills. Because we don't provide a stipend, many of the women continue to hold marginal jobs and jobs outside of the training institution. And of course, this is not allowed for our JTPA trainees, though it is allowable for those that are funded by the private foundation.

Near the end of the 20 weeks, the woman has her generic skills in order to go out and find her technical job. And these are jobs that pay upwards of $5 an hour. They're jobs that have career ladders. They're jobs that have fringe benefits and jobs that mean, often in the first year, that the woman has moved out of poverty.

In addition, to make her transition to paid employment and economic self-sufficiency a success, the woman is provided with training on how to take entry tests, how to handle sexual harassment; how to cope with other forms of harassment with job entry requirements.

We also work with employers to help educate them about these issues and to help them identify artificial barriers to employment, particularly the entry barriers, such as extremely low upper age limits for women who are entering apprenticeship programs or apprenticeable occupations; upper body strength and lifting requirements that have no direct relationship to the actual job itself. We also teach her job search skills and career planning skills.

Usually, the woman finds a job between 1 and 5 weeks after the program ends. But here we have another policy gap. Once the woman has completed the program, she is out. We have no dollars from the public agencies with which to do followup for that woman, so we of course do fund raising ourselves for that.

We also have no ability to be able to provide the woman with any of the support services that we may have been able to get while she was in training. So to solve that, we've done direct solicitation of funds from employers, from local foundations and from individuals.

The woman can apply to the support services fund that we operate to get the funds that she needs to make the successful transition from training to work.

I have a couple of asides before I close. The first is that I think that the subcommittee certainly needs to take a much closer look at the issue of child care. Here we are in a real quandary that working poor women, that women in training, that most working women are in crying need of child care. On the other hand, we see that child care providers, who are predominantly female, are so poorly paid that they are almost permanently part of the working poor population.

Second concerns the issue of workfare, which was raised earlier. I agree that workfare programs have been instituted as a very punitive system to urge women off welfare. I would urge that we not look solely, as a solution, to allowing women to work more hours, but that we look at workfare programs not as an end in themselves but look at them as a vehicle for getting training, getting skills to go into jobs which really provide support for the woman and her family.

It would seem ridiculous to me to put a woman into a workfare situation where she continues to earn not enough dollars to fully support herself and her family and, in addition, can't even provide the added income or added support for the work-related expenses, like transportation.

Finally, I would like to say that WOW is working on a Women in Poverty Work Group that consists of about 15 other national women's and civil rights organizations, and we are doing some analysis of State-based welfare-to-work transition programs. And I would like to provide that information to the subcommittee at a later time.

I hope that the walk-through of the trainee through the nontraditional training program shows both some of the program and policy gaps as well as the fact that the solution to working poor women's poverty is not necessarily just a job.

[The prepared statement of Ms. Gregory follows:]

## Prepared Statement of Vikki L. Gregory, Women's Work Force Network Division, Wider Opportunities for Women, Inc. [WOW]

INTRODUCTION

I am Vikki Gregory, Director of the Women's Work Force Network Division of Wider Opportunities for Women (WOW), a national nonprofit organization which works to ensure economic independence and equal employment opportunity for women. Founded in 1964, WOW has focussed for more than 21 years on strategies to achieve system-wide changes in economic policies, programs, and practices to improve the status of women. In 1977 WOW founded the Women's Work Force Network to foster information exchange among the operators of community-based women's employment programs throughout the country. Today, the Women's Work Force Network links over 200 such programs and another 100 individuals, legal advocates, employers, administrators, and policymakers, who are all committed to women's economic self-sufficiency. The programs affiliated with the Network annually serve over 300,000--primarily low-income--women.

I'd like to thank Mr. Frank and the members of the Subcommittee for the opportunity to appear before you today to talk about the women who work for a living but whose earnings leave them in poverty. These women--the working poor--challenge one of the nation's most honored assumptions: that the route out of poverty for all able-bodied Americans is a job. Working poor women contradict this assumption, and the paths out of poverty for them and their families are more complex.

WOW has worked with and observed the problems of working poor women for more than two decades. We work directly with nearly 300 such women each year in the two training programs we operate in the District of Columbia. The first program is a 20-week nontraditional training program in electronics and electromechanics. Many of the enrollees are women who previously held typically female jobs with average wages of $4.59 per hour. Because these jobs did not provide the income

needed for the women to support themselves and their families free of public assistance, these women made new career decisions. The second WOW program provides training in pre-employment readiness for single mothers to assist them in making decisions about career paths which will lead them to self-sufficiency.

This morning I'd like to share with you some of the realities we have encountered in our work with these women and some of the barriers they experience to becoming economically independent. I'd also like to recommend some strategies which Congress should consider for affecting the poverty of working poor women and their children.

WOMEN IN THE WORK FORCE

The most significant change in the composition of the U.S. labor force since World War II has been women's entry and increased attachment to the labor market. This increase has been the result of changed societal attitudes, new federal protections against disparate treatment, and simple economics.

The labor force participation rate for single women increased from 50.5% in 1950 to 63.3% in 1984--accounting for six of the 30 million women workers who entered the labor force during this period. However, the fastest increase in labor force participation has occurred among women with working spouses--from 23.8% in 1950 to 52.8% in 1984. In actual figures the number of married women workers rose from 9.3 million in 1950 to 26.9 million in 1984, accounting for almost 60% of all the women who have entered the work force in the last 35 years. In addition to those women who are married to spouses who work, women who are primarily dependent on their own labor force participation to support themselves and their families now make up 40% of today's female labor force. In addition to the overall increase in the sheer number of women in the paid labor market, today's woman "enjoys" a labor force attachment similar in length to her male counterpart--approximately 45 years. But for most female workers, this similarity ends at the pocketbook. The large number of women who work full-time

yet who remain poor is in startling contrast to men who are poor even though working full-time. Part of the reason for women's continued poor remuneration despite high work force activity relates to where women work.

OCCUPATIONAL SEGREGATION

Of the 49 million women currently in the labor force, 42.5 million are employed as wage and salary workers in nonagricultural industries. Of these, 30.5 million are full-time workers, 9 million work part-time for "voluntary" reasons, and 3 million work part-time for "economic" reasons--i.e., because they cannot find full-time work. Nearly 8 million women workers are in public sector jobs; and, of the 34.5 million women wage earners in the private sector, 27.7 million work in service industries. While the Bureau of Labor Statistics reports that 6.8 million women are employed in the manufacturing sector, this figure is deceptive. Only 3.9 million of the women who work in this category are actually involved in the production process, the remainder work in manufacturing concerns as clerical, sales people, and other typically female jobs.

Thus, industry breakdowns must be combined with occupational data in order to gain an accurate picture of where women work as well as what kind of work they do. Over 30 million women--70% of all women wage earners--work in 10 industries and occupations. More than a third of all wage and salary workers work in jobs where at least 90% of their co-workers are the same sex.

The economic results for women of occupational segregation are all to visible in the male-female wage gap. Researchers attribute the gap to a number of factors, including sex discrimination, age, education, experience, occupation, industry, history of work, and union status. Of particular significance is the issue of women's generally shorter work hours--an average of 3.6 hours less per week than for men for full-time workers. This figure does not reflect less overtime, but the fact that women are concentrated in service sector jobs in which the average

length of the work week is lower. Therefore, the wage gap cannot be explained as merely the result of women's fewer work hours. In fact, labor economists have conceded that the most significant factors in the wage differential are occupation, industry, and union status. Even where men and women share an occupational class, women are overrepresented in the lowest-paying categories of that class. Women's majority status in an industry is no guarantee of higher wages. For example, in a ranking of 52 industries, the apparel and textile industry has the highest concentration of women workers--81.3%--but ranks 50th in average hourly earnings; in contrast, the coal industry ranked 1st in hourly earnings, but last in percentage of women workers. Finally, women are concentrated in the largely nonunionized industries of the service sector. The average wages for nonunion women are only 75% of the average wage of women who are union members.

These figures, while discouraging to say the least, are even more disheartening when the effect of gender is compounded by race and ethnicity. For Black women, the most significant labor force change in the last 20 years has been the shift from private household work into the lower rungs of clerical and service job ladders. This movement typifies a pattern termed by Dr. Julianne Malveauux as "Black women's crowding". While this movement from private household worker to clerical worker is, admittedly, one of improvement; this changed status does not result in the woman's movement out of the category of the working poor. Nearly 60% of Black women clericals earn wages which place them below 125% of the poverty line--the threshhold for many public welfare/assistance programs. This statistic is especially disheartening when one considers that nearly one-third of all Black women clericals are employed in the public sector.

A closer look at clerical occupations provides an illuminating picture. In 1984, nearly one-third (13.3 million out of 43.9 million) of all working women were employed in clerical occupations. 88.7% of the nations's female clerical workers were white, 9.8% were Black, and 1.5% were Hispanic.

The median annual earnings of full-time female clerical workers is $13,473; for all female full-time workers, the figure is $13,915. Full-time male workers, by contrast, have median annual earnings of $21,881. Though males make up only 25% of this country's clerical work force, they earn an average of $113 more per week than their female counterparts. A look at the median weekly earnings of typical clerical workers graphically illustrates why so many full-time female clericals are among the ranks of the working poor:

| Clerical Occupation | % Females in Occupation | Median Weekly Earnings |
|---|---|---|
| Cashiers | 80.9% | $164.00 |
| Bank Tellers | 92.9% | $204.00 |
| File Clerks | 83.3% | $206.00 |
| Data Entry Clerks | 93.5% | $238.00 |
| Payroll/Timekeeper Clerks | 81.3% | $266.00 |

Even in clerical supervisor jobs, women earn only $307 per week (median), and the career ladder to other occupational categories with greater financial rewards is limited.

A few generalizations can be made about why women who work remain in poverty:

- They are concentrated in lower-paying jobs.
- They are overrepresented in part-time and/or marginal jobs where regular pay and fringe benefits are not provided.
- Women's jobs generally provide smaller and fewer income-enhancing benefits and bonuses.
- Increased numbers of households are dependent solely on the woman's generally lower wages for support.
- Women are trained for and counselled into female-dominated, less remunerative occupations.

Since it appears, then, that work in women's jobs at women's wages is so economically unrewarding for women, why don't women seek employment in fields traditionally held

by men?

WOMEN IN MEN'S JOBS: BARRIERS TO OVERCOME

Without even speaking to the virtual implausibility of the wholesale movement of a majority of today's working women from their current jobs into those in which men predominate, WOW knows from its own experience that those women who succeed in entering these male occupations must overcome a number of key barriers. These barriers are all the more difficult to overcome when the woman is already earning below the poverty level and has the sole responsibility for the support of herself and her family.

The first barrier which serves to discourage women relates to entry requirements attached to many nontraditional jobs. These entry requirement--such as upper age limits for apprenticeships, minimum upper body strength limits, etc.--often are unrelated to performance of the actual job in question. These barriers virtually eliminate parts of the female labor force--many or all handicapped women, and a large percentage of older and reentry women and displaced homemakers. Other requirements, such as possession of a complete set of tools, eliminates other jobs as options for low income women.

A second barrier is that training and other education programs which could prepare women to enter successfully and remain in nontraditional occupations are inaccessible to the vast majority of working women. This inaccessibility takes a number of forms: unrealistic program eligibility criteria; lack of basic skills and remediation programs to enable women to succeed in training; inadequate numbers of programs to meet the need; programs which channel women into low wage jobs; and, inadequate program designs which do not accommodate the employment, education, and training needs of working women. Inadequate support systems, in particular child or dependent care, for women who are working or in training is a third key barrier. These barriers, taken singly or in concert, preclude many woman from seeking nontraditional career solutions to poverty.

Artificial Job Entry Requirements

Many jobs in which men predominate are defined based on stereotypic "male" attributes and custom. These definitions encompass not only physical requirements for entry, but job structuring based on a two-parent family model and the male route of entry into jobs. Based on these stereotypes, women must overcome such entry barriers as high upper body strength requirements, low upper age limits to admittance into apprenticeship training, up-front costs of work force entry, artificial worker mobility and relocation requirements. For example, while a few skilled construction related jobs require that workers have extraordinary upper body strength--a decided disadvantage for most women--most heavy construction work is now done by machinery, and the rest is accomplished using teams of more than one worker. In addition, women, with proper physical conditioning and training in appropriate lifting, carrying, and hauling techniques can significantly increase their upper body strength to the levels actually required to do construction and other work.

A second common barrier encountered by women who choose to enter male occupations is the age limit for acceptance into apprenticable trades--often as low as 18 and usually not higher than 24. WOW has seen from its own experience and that of its sister organizations around the country that women, by and large, make the decision to enter nontraditional occupations later than their male counterparts--usually after they have worked in traditionally female jobs and found that they do not earn enough to support themselves and their families. Many of the women who have chosen the WOW training have done so after working as sales clerks, cashiers, clericals, etc. Without the wage incentives and experience apprenticeships offer, few women can enter the skilled trades. Thus, these requirements present major obstacles.

The third entry barrier faced by women in the nontraditional job market is the requirement placed on many jobs of shift work and work which requires that the employee be able to travel with the work crew. While most of the construction

industry operates in this fashion, this work was designed based on the model of a male worker with few or no responsibilities, other than monetary, for the care of children. While WOW does not suggest that entire industries redesign the way in which they work with the result that the work becomes less efficient and more costly, WOW does believe that employers must seriously analyze the reasons some jobs are designed as they are. WOW believes that child care policy, public transportation systems, and other services which support workers must provide accommodation so that women may participate in these occupations. WOW also believes that the federal responsibility for enforcing and investigating employment discrimination must extend to include a thorough review of job design and structuring which has a disparate impact on women and other protected classes.

A fourth entry barrier which particularly affects low-income women entering nontraditional occupations is the tremendous initial dollar outlay required for certain occupations. Union and other work fees, such as bonding, permits, etc., as well as the requirement by many employers that skilled workers report to their jobs possessing a full set of professional tools, are disincentives which are nearly insurmountable barriers for poor women.

Inappropriate Training

Because of stereotypic socialization, most men and women grow up having had very different life experiences and work and life expectations. Thus, the women who decide to pursue a nontraditional career are often older and have had prior experience working in a typically female job. For these women, successful entry into a nontraditional career must be through a different route than that used by men. A big hurdle for women, particularly poor and working class women, is simply becoming aware of the full range of occupational choices available to them. Therefore, accurate information must be made widely available to counter the dearth of occupational choices faced by most women. Compensatory training, often not needed by males, would not only expand women's awareness of the full range of occupational choices but would expose them to



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the day-to-day worklife of these occupations, basic safety techniques, tool identification, etc. Our nation's training and education systems have done only limited work to sufficiently expand women's occupational and career horizons. Besides training which includes adequate preparation in a particular set of job skills, appropriate training would include skills in surviving workplace hostility (combatting bias), job search, and career and life planning--all critical skills for a woman to enter and survive in a nontraditional career.

Further, it has been concluded by researcher Dr. Roy Feldman and demonstrated by women's employment and training programs, that a multi-service training approach is appropriate for moving low-income women into economically viable employment. This approach is characterized by flexible and individualized training. Feldman identifies a set of employment prerequisites, all of which must be met before a woman can hope to achieve self-support: confidence building; literacy and computational skills; satisfactory, available and stable child care; reliable transportation to training, child care, and work sites; a social support network; health skills and resources for children and self; family planning skills; marketable vocational skills; and, a job offer. The first six of these are necessary even to complete training. In addition, WOW would add the caveat that training be based on the attainment of broad generic occupational skills which provide the widest array of job options possible to the individual woman.

Inaccessible Training

The numbers of women currently being served by our public employment training and education system are only a small portion of those in need of services. What programs are available are often not accessible to working poor women. Some of the reasons for this inaccessibility are: low basic skill levels of many women which preclude their participation and/or entry into existing training programs; lack of flexible program hours to accommodate the training and education needs of working women; the eligibility criteria of programs which frequently require AFDC or un-

employment status; and, lack of adequate support services--either for program participation or for the postprogram transition into a job.

Low basic skills. WOW shares with program operators nationwide the dilemma of trying to provide quality career and skills training services to poor women. WOW's nontraditional technical training requires a 7th grade reading and a 5th grade math computation level as the minimum entrance requirement. Test results on math, reading and spelling for program applicants in the last 18 months reveal great discrepancies between performance levels and the number of school years completed. The average number of school years for a WOW applicant is 11.6, but the average competency level is less than 8th grade--with 26% of the women falling below the 6th grade level. Since functional illiteracy is currently defined as the inability to read above the 5th grade level, many women can be classified as functionally illiterate. These women must receive remediation services to benefit from WOW's training, without which they will be considered unemployable in jobs which hold the promise of self-support. Without the availablity of public programs offering educational remediation help for the women we have cited, there will always be a sizeable population that cannot benefit from employment training except that which leads to unskilled jobs without benefits, a future, or a living wage.

Working poor women who are in need of remediation services to either take advantage of nontraditional training for a new career or of workplace opportunities to advance in their current careers, are faced with the painful choice of leaving paid employment or otherwise unreasonably extending their tenure in jobs which maintain their families in a marginal existence.

Flexible training to accommodate working women. Most training programs currently operating nontraditional skills training are designed for the full-, not part-time participation of individuals. Whether free-standing, nonprofit community training programs or proprietary institutions, most such sites operate during the

day and on a workday schedule. Some few programs are available during evening hours, but more typically these evening classes must be supplemented by others given only during specified hours during the business day. For women working in poorly paid occupations, characterized by restrictive or nonexistent leave and educational policies, participation in training to move into a better job is nearly impossible. Finally, for women who must be responsible for maintaining a household which includes children or aged or infirm parents, the extended workday represented by further schooling (and homework) and by the work involved in caring for the household, this option is eliminated. Few women can afford to leave their low-wage jobs to enter training that might result in enhanced self-sufficiency. The decline in stipends and wages from job training restricts even further the participation of those who must support themselves and/or their families during retraining. WOW urges Congress and state policymakers to develop legislative and programmatic solutions which can provide a minimum basis of income or other support to working poor women who make the choice to participate in further training to insure economic self-sufficiency for themselves and their families. Training allowances, vouchers for retraining, and individual training accounts are important options to explore.

AFDC and/or unemployed status requirements. Programs funded through such public vehicles as the Job Training Partnership Act (JTPA), The Work Incentive Program (WIN), and others, have as their target the economically disadvantaged population. In fact, these programs usually go further to narrow the purely income basis for defining economically disadvantaged by requiring that program participants be entirely dependent on AFDC or wholly unemployed for a specified number of weeks prior to program entry.

Such entry requirements mean that many skills training programs are inaccessible to working poor women. Programs must be expanded to include this population before it moves to a status of total dependency. Already, some public policy response has occurred. When the Carl Perkins Vocational Education Act was being drafted

working poor women were a primary target for services under the new Single Parent and Homemaker Program. More such solutions, such as state and locally funded supplements to JTPA, are needed.

Lack of adequate support services. Support services--in particular child care--is at the crux of women's ability to succeed in both training programs and in the labor market. In WOW's own training program, the availability of supports such as transportation stipends and child care have been demonstrated as criteria for a woman's successful transition from poverty to self-sufficiency.

Support service spending caps and other restrictions placed on publicly funded programs dictate that access to these programs be based on affordability rather than need. WOW believes that funding skills and other training at the expense of funding for support services is not only a short-sighted approach to cost-effective job training, but sets the scene for failure for a large population of poor women.

Finally, there currently exist no publicly funded solutions to the post-program support services which women will continue to need until they have moved into a more stable financial position. Without continued supports during job search and until her first paychecks, a woman has a less favorable chance of making the successful transition to economic self-sufficiency. Some draft legislation targeted to welfare recipients does provide for continued support during this critical period. And, some programs (including WOW) target their fundraising efforts to provide a revolving support services or scholarship fund to meet these needs. Finally, some corporations are beginning to consider making grants to the continuation of these program solutions.

BARRIERS TO CAREER ADVANCEMENT IN WOMEN'S JOBS

But the barriers and solutions I've noted here assume the preparation and entry of working poor women into higher wage, male dominated jobs. I'd like to turn, for a moment, to barriers and strategies for the greater number of women who

want to/or will remain in traditionally female occupations.

Child Care: Double Jeopardy for Women

The issue of appropriate and accessible child care raises a particular quandary for working women. On the one hand Congressional reports, hearings and research done by such groups as the Children's Defense Fund, among others, indicate that there is a crying need for child care to enable parents to fully participate in the paid labor force. Almost 10 million children under age 6 have working mothers, another 15 million children from 6-13 have mothers who work. It is estimated that there are 7 million "latch key" children who have no supervision after school hours.

While costs vary according to the age of the child, most working families can expect to spend over 10% of their income on child care.

| Kind of care | Age of Child | Yearly Cost Range |
|---|---|---|
| family day care | 0-2 | $1500-3250+ |
| | 3-5 | 1500-3000 |
| center care | 0-2 | 1750-3800+ |
| | 3-5 | 1750-3800 |
| | 6-13 | 900-1500 |

In 1984, the median annual income of female heads of household in the labor force with children under 18 years old was $13,213. Ten percent of $13,213 would not cover the cost of the least expensive preschool care. Therefore, if a woman working at any of the typically female jobs accesses informal child care using relatives, neighbors, and other systems, she still has a limited number of dollars remaining to cover housing, transportation, medical care, food, clothing, and other life necessities. Government programs such as the Dependent Care Tax Credit have little or no value for those working women who earn below the median income levels. The limited ability of working poor women to pay for quality child care has a rollover negative impact on the income of another predominantly female occupational class--the child care worker or provider.

Despite the crying need for child care, the wages and benefits paid to child care providers--who are overwhelmingly female--place them in economic jeopardy. This quandary typifies much of the situation of women--i.e., those occupations for which demand exceeds the supply of workers are often those jobs which perpetuate women's poverty. Thus, the problem of child care as a barrier must be discussed from two perspectives--that of the working woman in need of accessible and affordable quality child care, and that of the woman who is the provider of child care services.

Women as Child Care Workers. There are approximately 5 million child care providers in the country today--almost 3 million of them working full-time. The occupation of child care provider is overwhelmingly female--96%. As with many predominantly female occupations, the pay is typically low; average wages for child care providers range from $2,200 to $12,500 annually, depending on the type of child care provided. Although the industry has changed somewhat over the past few years, with the movement toward licensing and increased regulation and commercial child care facilities/services, little economically has changed for the child care worker. The industry is still, by and large, unregulated and invisible.

One reason for this invisibility concerns the diversity in the settings in which child care is provided: in-home, shared, family day care, group home, and child care centers. A 1977-78 survey by the U.S. Department of Health and Human Services estimated that there were approximately 1.8 million home-based providers serving nearly 5 million children in unregulated, informal arrangements between providers and parents, and another 115,000 regulated caregivers. 1985 estimates by the Children's Foundation, a Washington-based advocacy organization for women and children, gives roughly the same figures--between 1.5 and 2 million providers caring for 5 million children. Most of these providers are women under age 30 with preschool or school-age children of their own.

Wages and Benefits

The most direct action Congress can take with regard to improving the incomes and lives of working poor women is to examine wage issues directly. Pay equity, a higher minimum wage, requirements for at least prorated fringe benefits for part-time jobs are all strategies which could directly affect working poor women's wages without greatly increasing the federal budget. Congress should consider recognizing a staged program for instituting such policies. While expensive for employers in the short-term, in the long-term, such strategies will have a positive economic impact (i.e., through lessened dependence on public assistance programs, expanded consumer and tax paying activities, etc.).

Support for Retraining

Apart from the issue of nontraditional training, another key strategy for achieving self-sufficiency among working poor women is support for retraining. Whether in high-demand, high wage occupations or in self-employment, in enterprise development, or in career ladder oriented opportunities in more traditional fields, such retraining can provide a path out of poverty. Congress should consider incentives for employer retraining, individualized training accounts, increased funding of vocational programs targeted to this population, and other similar strategies.

SUMMARY

These are but a few of the realities and strategies WOW has explored and can share with the Subcommittee today. We are delighted that you are asking the critical questions about who is poor in America and searching for solutions to address these concerns. As is clear from my and other testimony, for women, the solution is not just a job. For many women, this path traditionally designed for men, may lead directly to lives spent in poverty. A more complex and comprehensive path will make the difference for working poor women. But it is in the economic and human interest of the nation to provide such paths.

Mr. FRANK. Thank you.

Let me begin, Ms. Gregory, by asking you this. You were describing some differences between your program and the JTPA. Do I take it you were suggesting that the publicly funded programs would be more successful if they had more of the flexibility that yours seems to have?

Ms. GREGORY. Yes, they would, definitely.

Mr. FRANK. In particular, one difference that struck me was—and I would think this is one that we might get some thought for here—on the JTPA, as I understand it, you can't be employed, under your program you can be. So what we have is a kind of punishment under JTPA of those who are employed and we deny them the services that might be useful. And you've found that it's possible, I gather, for women who are working to still benefit from the training, that there is no necessary reason for it if they're prepared to work hard enough.

Ms. GREGORY. Absolutely. As well as the issue of the post-program dollars. At this point, the woman leaves the program under JTPA and there is no money.

Mr. FRANK. Well, that seems to me one of the weaknesses of the program in JTPA. I know there were abuses in CETA, but the notion that you take very poor people and train them and don't worry about how they live in the interim or don't provide any way for them to live in the interim I think is almost going to guarantee that some of the people who are most in need of this training don't get it because it's got to be for people who have somehow got the resources to stay alive and feed a family or whatever for that period of time.

Let me just ask you. Our colleague from Texas, I guess I asked if he wanted to make a statement, and he chose instead just to insert it in the record. But I did note that one of the things he said was that he found the term "working poor" to be an oxymoron, that being poor was a matter of spirit and that he believes that if you're working full time you aren't poor because you would have a positive spirit.

Have we exaggerated? I mean, in the experience of either or both of you, are there people—I know your focus is on women, but it would cover both—are there women who work full time who are still poor and would consider themselves poor? The suggestion was that people who are working full time don't think of themselves as poor because they're employed.

Ms. GREGORY. I think that possibly it is an attitudinal problem. However, it's very, very seriously an economic issue. The women that come to us are women who have tried to maintain an attachment to the labor market and either a child is sick or they don't have the fringe benefits, and they recognize the limits that they can go to with working full time, and they are always from paycheck to paycheck, and barely covering any expenses for a child.

Mr. FRANK. Ms. Gluckman.

Ms. GLUCKMAN. Yes, I agree. I think that it is an economic problem, that we have shifted too far in the direction of—I mean, I am young and I can still remember when people used to be concerned about poverty per se as a source of social ills. Now we seem to only be concerned about welfare dependency.

But poverty per se is still a source of social ills, and if a woman works two shifts and doesn't have the time to spend with her children, those children are still going to suffer for that whether or not she has the pride or self-esteem not to consider herself poor.

Mr. FRANK. The child who is not being provided for adequately is going to feel a sense of deprivation whether the parent is fully employed or not, in terms of just——

Ms. GREGORY. Yes.

Ms. GLUCKMAN. I think so.

Mr. FRANK [continuing]. Adequate provision for the child.

I thank you both.

Mr. Nielson.

Mr. NIELSON. Yes, I would like to ask two or three questions.

You mentioned in your report that the average age attained—or the average educational skill level in years is 11.6.

Ms. GREGORY. Yes.

Mr. NIELSON. The average competency level is less than eighth grade. And you mentioned some fifth-to-seventh-grade skill levels in mathematics and English. Let me ask two questions on that. Is this because there is a gap in time since the women learned the skills in school and they have simply not used them and may have forgotten them, or is it because the education system never adequately taught them in the first place?

Ms. GREGORY. I think it's a little bit of both. We have some women who have, within a year or two years of coming to us, completed high school, and they consistently score higher. But there are still real gaps in their ability to comprehend written material and to read at the 12th-grade level. So I would say that there are some real gaps in the basic educational system.

Mr. NIELSON. Are you familiar with the study titled "The Nation at Risk"? Would you agree with its basic tenets, that we have a rising tide of mediocrity in our school system? Do you agree with that basic conclusion?

Ms. GREGORY. I think that's consistently true. I think that there are some specific bright points on the horizon, and there is some innovative programming. But I certainly can't see that going across the board that we have been able to produce a generation of individuals who can function at a literate level.

Mr. NIELSON. On page 3 you give us a list of reasons why you feel the economic results for women have not been satisfactory. You mention a number of factors: sex discrimination, age, education, experience, occupation, industry, history of work, and union status.

Could you sort of rank those for me, at least to some extent, which do you feel is the most important? Is sex discrimination the most important of that list?

Ms. GREGORY. Well, I would say that it's occupational segregation with sex discrimination combined with it.

Mr. NIELSON. Both occupation and sex discrimination?

Ms. GREGORY. Yes, because occupations are not paid——

Mr. NIELSON. What about union status? You say on the next page that women who work in primarily nonunion industries receive less than 75 percent of what the women do who are in union industries.

Ms. GREGORY. Absolutely.

Mr. NIELSON. What's the solution to that?

Ms. GREGORY. Well, I would say the simple solution would be to organize and for women to be involved in collective bargaining and for their occupations to be unionized. We know that most women work in occupations that are not unionized, and in particular——

Mr. NIELSON. Well, they don't really have the opportunity to join the unions.

Ms. GREGORY. Right. And particularly the new occupations and the emerging high technology industries.

Mr. NIELSON. I see.

Ms. Gluckman, I noticed you nodded "yes" on that question. How would you resolve this problem, where women in nonunionized industries make less than those in unionized industries?

Ms. GLUCKMAN. Well, that reflects a couple of things. First of all, I mean, I think that there are some macroeconomic issues in terms of why manufacturing industries which are primarily unionized are higher-paying than service industries which are primarily not unionized, which may have to do with other things beyond merely the fact of whether or not they're unionized.

However, given the general trend of the expanding nature of the service sector and the contracting nature of the manufacturing sector, we see the solution as organizing. Nine-to-Five is not a union per se. But it is affiliated with a sister union, District 925 of the Service Employees International Union, and we organize office workers. And we win pay raises. I mean, to that extent, it's that simple—which does not mean that Government does not have a role, let me add.

Mr. NIELSON. Let me ask you two questions. You mentioned in your report that about 50 percent of the women who work have working husbands. The other 50 percent, roughly—I am not sure I have the right numbers, Ms. Gregory——

Ms. GREGORY. Yes.

Mr. NIELSON. About half of them, roughly, have working husbands, the other half do not. If fewer women who have working husbands worked, would that make it a better market for those who don't have husbands and who are the sole source of support? I am not suggesting we tell the wives to stay home, but I am wondering, is that part of the problem, that there are too many working wives taking the jobs—good jobs—that might otherwise be filled by women without spouses?

Ms. GREGORY. Well, I think that some of the myth is coming out. What we're seeing is that more families than ever before are earning $25,000 a year and above. But they're earning it because there are two wage earners and there are more hours going into labor and seemingly less return. So most of the women that are working that have husbands that work, their wages are really the ones that keep the family out of poverty, above the poverty line.

Mr. NIELSON. So there are some male heads of households who probably wouldn't make it without the wife's economic help?

Ms. GREGORY. A considerable number, yes.

Mr. NIELSON. I was just wondering to what extent you might want to give job preference to the female head of household. I know one of the reasons we had job discrimination in the early days was that we felt we had to give the man more than the

woman because he's supporting a family. I know that was a myth, but it still persists in many industries. Could we also say the woman who is head of a household should make more than the woman who is a wife whose husband works for the same reason? Is that possible?

Mr. FRANK. Would the gentleman yield——

Ms. GREGORY. I would like for you to say that. [Laughter.]

But I think all we're talking about is an equitable chance, and that people be able to have an equal chance to go into training, to be trained for jobs that are best suited for them, and equal access, not——

Mr. NIELSON. I am not recommending it. I am just asking, does that same philosophy carry over, to give the woman who is head of the household an economic advantage similar to what the man attains, in fact, if not in theory?

Ms. GLUCKMAN. Sounds good.

Ms. GREGORY. I would like to adopt the positive side of what you said. I mean, I would like employers to develop an attitude where they take women who are heads of households seriously and think, "Well, gosh, she's supporting some kids. Maybe I had better give her a raise."

However, that doesn't mean that——

Mr. NIELSON. I yield to the chairman. He has a sage comment.

Mr. FRANK. I just want to say I think, seriously, given the law, that it would not be possible to discriminate for the nonworking woman in favor of working women. But you might if you wanted to add the working husband; that is, in other words, if the theory is that a single wage earner were to be given preference over a married wage earner if the other spouse was working, that would logically apply to either a man or a woman.

That is, you would give the female head of household preference if you were going to do it over either a man or a woman whose spouse was working, and my guess is that would make it much more resistible by a lot of people. But I think that would be the nonsexually discriminatory way to phrase that.

Mr. NIELSON. Well, we turned down the tax reform proposal, but is there some way we could accomplish this through the tax system? In other words, should we give the female head of household a tax break that would be more substantial than she is now getting? Would that help?

Ms. GLUCKMAN. Well, the tax rates at the lower income brackets have to change.

Ms. GREGORY. You have to eliminate the working poor.

Ms. GLUCKMAN. You have to eliminate the tax liability of the working poor. It's just beyond silly that the woman in my example receives something like $700 a year in section 8 housing subsidy and yet carries a tax liability—it's in the 17 percent tax bracket—and carries a tax liability of a couple of thousand dollars a year. It's ridiculous.

Mr. NIELSON. One other question to Ms. Gluckman. You made a rather strong statement. I will give you a chance to defend the statement or elaborate on it, that, "Workfare is a punitive method of getting people out of welfare."

Ms. GLUCKMAN. You're going to attribute that to me. [Laughter.]

Mr. NIELSON. I believe I read that in Mr. Gluckman's statement.
Ms. GLUCKMAN. No, I didn't make it.
Mr. FRANK. That was Ms. Gregory.
Mr. NIELSON. Oh, the other one?
Ms. GREGORY. Yes.
Mr. NIELSON. Oh, I am sorry. Well, all right. Would you like to try that?
Ms. GREGORY. Yes. The workfare programs that we have seen have essentially told women, "You go and you work off your benefits, and as soon as you work off your benefits, you go right back to welfare. You are not on the job."
There is no intention to try and do any kind of assessment, to try to do any kind of career planning, to provide the skills training that is required to move the woman permanently away from dependence on public assistance.
We consider that an economic as well as administrative loss.
Mr. NIELSON. Do you agree with Mr. Gottschalk's comment, "Allow women to make as much"—or "the poor," I should say—"to make as much as they possibly can on workfare without decreasing what they have otherwise"? Would you agree with his comment, or did you hear it?
Ms. GREGORY. I heard the comment, and I would have to explore it further. But I couldn't see that as the only solution without the other supports to move a woman into a viable occupation.
Mr. NIELSON. I can say for myself and, I hope, for some others in the Government area, that we do not want to take away the incentive for someone who wants to work. If they want to work, there should be some incentive; they shouldn't be penalized for working, number one, either through taxation or through the loss of legitimate benefits.
The second thing I would like to say is that it seems to me that we need to concentrate on what you're doing, getting women into higher paying categories, into professions, and other job categories where they can compete and where the wages are higher. I think one of the problems is that women have traditionally chosen low paying careers. Now, maybe it's because of the barriers we've put up in society, but women need to get more into these other areas.
I know I used to teach at a university, and whenever I had a female student who graduated in statistics, she was snapped up just like that. She'd get three or four times as many offers as the male graduates, particularly if she happened to be a minority, as some of them were.
So there are some professions where they want more and better trained women. And so if you can encourage more to go into those areas, I think the better off you are.
Ms. GLUCKMAN. I want to just make a brief point about the training programs. Most of the training programs geared toward AFDC recipients that we see train for the most basic level of clerical jobs. And if you take a perspective where you see that the basic problem is poverty and not welfare dependency, welfare dependency that is a secondary problem of poverty, and that the wage levels of these basic clerical jobs are poverty level or below poverty level, then that's clearly not a solution.

I don't know enough about JTPA, but I would suggest that it have some sort of small research arm that would help JTPF-funded programs to develop training programs that would direct toward better paid jobs and also would understand that office work is changing very fast with office automation, and that a lot of the jobs that are being trained for now we believe will probably be obsolete within even two decades or less than that. It's important for these training programs to at least take a stab at training women for jobs that will actually exist 15 years from now, particularly with respect to computers.

Mr. NIELSON. Ms. Gluckman, what do you mean by a dead-end job?

Ms. GLUCKMAN. A job with no clear career path leading out of it.

Mr. NIELSON. What makes a particular job a dead-end job?

Ms. GLUCKMAN. Well, in most firms, the clerical workers are at an entirely different level of the hierarchy from what I usually think of as the sort of real people in the firm. I used to be a secretary in a consulting firm and there were the clerical staff and then there were the accountants and consultants and so forth.

It was just obvious that no secretary was ever going to—she could become a sort of senior secretary, but there were simply no career paths and no expectation that she would ever be encouraged in any manner, shape, or form to move up. It was just a clear break between the clerical level and the real level. And most clerical jobs are like that. I mean, you can perhaps become a clerical supervisor or something, but you can't move into anything else.

Mr. NIELSON. Would you consider a sanitation engineer or a trash collector a dead-end job?

Ms. GLUCKMAN. Probably, yes. But if I am going to have a dead-end job, I would rather be paid $10 an hour than $5 an hour for it.

Mr. NIELSON. One of the problems I have with comparative worth is that—there was a comic strip where a female secretary was complaining about her job, "I see the trash collector makes more than I do." Her boss asked, "Would you be willing to work as a trash collector?" She said, "I wouldn't do it for a million dollars." He says, "See."

It is a job that pays more because of the unpleasant nature of the job. Is that part of the problem? Are women willing to go into coal mining and other jobs that are careers where working conditions are less than comfortable, but compensation is higher. Are they willing to do that?

Ms. GLUCKMAN. Some women are. I think that if you spent some time in an office, you might find it to be a fairly unpleasant environment as well, in different ways.

However, if we believe that people should be paid according to the unpleasantness or exposure to hazardous chemicals, for example, or something that it carries, that's something that can be factored into a comparable worth evaluation. There is no reason why that can't be part of the evaluation.

Mr. NIELSON. So the man or woman who is willing to go into one of those dangerous or unhealthy type jobs should be compensated more regardless of their sex?

Ms. GLUCKMAN. Yes. I mean, that would be one factor, sure. And in most of the scales that I have seen, that is one factor.

Mr. NIELSON. Thank you, Mr. Chairman.

Mr. FRANK. Thank you.

Mr. Owens.

Mr. OWENS. Thank you, Mr. Chairman.

I think Ms. Gluckman might have partially answered the question that I had in mind.

Ms. Gregory talked in terms of a program, of going through a procedure, and at the end of that procedure you can get a job at $5 an hour or more as if it's the routine kind of thing, and there is a demand for the women that get the proper training and education and then can step out into a job. Did you mean to give that impression, or am I misunderstanding?

Ms. GREGORY. Well, one of the ways that the program is structured, we have our own private industry adviser group, which are major employers in the Washington metropolitan area, and we look to them. We do some internal surveying. We have our own management information system inhouse through which we continuously look at the job market and the changing job market and rely on the employers.

Mr. OWENS. But you have no problem getting jobs for people who have been through this process?

Ms. GREGORY. Right.

Mr. OWENS. Ms. Gluckman.

Ms. GLUCKMAN. Yes?

Mr. OWENS. Ms. Gluckman you said something about some of the things we're training people for are jobs that will become obsolete shortly. What do you think the relationship between supply and demand has to do with this whole problem in terms of women being trained for jobs that are in demand, but that may be obsolete soon, while even in a glamorous place like Capitol Hill it's difficult to find computer technicians.

I just wondered as women are trained for the kinds of jobs that are in great demand now, are they able to capitalize on that demand and get higher salaries? Is there a situation where it does not matter what the demand is, they still have lower salaries?

Ms. GLUCKMAN. That's a tricky question.

Mr. OWENS. Supply is limited, the demand is great, but the salaries still remain low?

Ms. GLUCKMAN. The jobs that——

Mr. OWENS. Because women are unorganized, maybe, or because——

Ms. GLUCKMAN. Well, women aren't being trained to be computer technicians. I mean, that's not going to be an obsolete job, but women aren't, except for in good programs like——

Mr. OWENS. They are not being trained?

Ms. GLUCKMAN [continuing]. Most of the training programs that we see are training in the most very basic clerical skills like typing and perhaps word processing and stenography occasionally.

I am not saying that women's wages are not determined in the market, but they're determined within the parameters of—I mean, the market itself is, can we say, segregated or divided. You know, some people have referred to a primary sector and a secondary sector so that there are two separate markets where wages are being set. Most women's occupations, most female-dominated occu-

pations, fall within that secondary sector, so that the tugs of the primary sector, of demand in the primary sector are not felt as much by them and are not as beneficial to their wage levels as they would be if the labor market were unified.

Mr. OWENS. All right.

Ms. GLUCKMAN. That's what we mean by occupational segregation.

Mr. OWENS. Yes. The occupational segregation problem is there. Can it be solved by having less segregation in the training and educational sector? As we educate people, moving into the world of high technology where you could say jobs are becoming more feminized in terms of being clean and neat, certainly high technology jobs, such as polygraph specialists at the Pentagon. They need a great number, I understand, but they can't seem to find enough. [Laughter.]

Ms. GREGORY. That's unfortunate.

Ms. GLUCKMAN. That may be fortunate, I don't know.

Mr. OWENS. Jobs for statisticians, in cancer research they can't find enough people to move fast enough on these various treatments that are coming up. It's highly technical. Is the problem really segregation? Should we make a frontal attack on segregation in the education sector and the training sector?

Ms. GLUCKMAN. Absolutely. And that shifting of women——

Mr. OWENS. Is there segregation in the education and training sector where women can't get the kind of training which qualifies them for these jobs? This is my main question.

Ms. GLUCKMAN. I am not really qualified to say. I would say, however, that I think it's still very true that from a very early age women are shunted away from sciences and that continues to be a factor in the fields where they end up, and it's going to become more and more important to change that.

Ms. GREGORY. I would like to add that in the vocational education system you see over 60 percent of the women and girls in that system continuing to be trained, as compared to the men and boys in that system, in lower wage, shorter career laddered occupations, and even today, as much career information as we have.

Mr. OWENS. Well, I find evidence that even some of the jobs where there is great demand, the demand is there and the supply is low, and yet the salaries still remain low. That baffles me.

Ms. GREGORY. Typical of nursing and——

Mr. OWENS. Yes. Right.

Ms. GREGORY [continuing]. Teaching professions.

Mr. OWENS. Thank you.

No further questions, Mr. Chairman.

Mr. FRANK. Mr. Martinez.

Mr. MARTINEZ. In your last comment you said, "as much information as we have about career availability." Who has that information?

Ms. GREGORY. Well, it's real tricky. We did some research on five high technology industries. And as a matter of fact, the information—there was a lot of information out there. Some of it was conflicting. It was held in lots of different agencies. We dealt with the Bureau of Labor Statistics, Department of Commerce, Office of

Technology Assessment, and essentially did some of our own analysis work.

It's true that the information is not readily available, but major associations like the Computer and Business Manufacturing Association, American Electronics Association and others have a wealth of information, as do local economic development offices.

Mr. MARTINEZ. Would it be an absolute true statement that it's scattered, disorganized, and uncoordinated?

Ms. GREGORY. Absolutely. You have to work to get it.

Mr. MARTINEZ. Would you from your experiences appreciate and feel the necessity for national coordination?

Ms. GREGORY. Absolutely.

Mr. MARTINEZ. Would you believe that that could lead us to developing a good work force policy?

Ms. GREGORY. I certainly think that it could be the critical component in it.

Mr. MARTINEZ. You know, one of the things in dealing in the Education and Labor Committee, which I am a part of, on my Subcommittee on Employment Opportunities, it has become apparent to me that many of the people that know of the jobs that are available guard that very cautiously because they feel that interference in their determining who they eventually want to employ, and that stems from certain inherent discriminations—you mentioned one—that in certain kinds of jobs, the employer, not because of the market demands, you know, when you talk about market demands—and I was in business for myself; to me, that means that if I want to produce a product or service on a competitive basis with the other people that are producing that product and service, that I have to factor in what it's going to cost me to produce that. And thereby, then that's how I set the salary, wages, and the worth of each particular job.

That's not what is really happening. It's a completely different thing. And there are certain inherent biases in our free enterprise system that are there, and in some attempts to overcome that, legislation has been passed which I think, by and large, in the last few years has been completely ignored and denied. And I think that there is a need for the Department of Labor to establish within itself an agency or department that deals with determining what are the future employment needs of the country as a whole, where is the training—where should the training be directed?

Ms. GREGORY. Absolutely.

Mr. MARTINEZ. How much of that should be done with encouragement from the Federal Government and how much should be done with encouragement from the private sector, because ultimately the private sector in the private sector are going to reap the benefits of well-trained, well-directed people.

There was the case in point where at one point in time engineers were thought to be the need of the future, and we trained engineers till they were coming out our ears, and all of a sudden there was a complete drop in the market for that kind of service, and engineers were out of a job and some of them looking to shoot themselves because they had developed a certain standard of living that they could not any longer maintain.

So that this is not new, but still we do nothing about it, and I think there is a real need for it.

In regard to comparable worth, it has always been my impression that comparable worth means that if the so-called market established the worth of a particular job, regardless of whether it be a man or a woman, that that be paid to either man or woman, but in many cases, because we in our archaic thinking from things that were established before, that certain kinds of jobs were done by a woman because the woman had the skill to do them.

And I really admit that in some of those jobs, women have a better skill to do than men do, and in that regard, talking about what you talked about earlier, that if a particular job has a particular hazard or skill connected to it, that work should be measured in. But it's not.

So that we need to look at those things in comparable worth that just because traditionally that job has been described as a woman's job and a woman in the beginning was supposed to be an auxiliary income to the household, which isn't true any more, and even where those 50 percent of those working women have husbands working, if you look at the combined salaries, as you indicated, some of whom are just above that poverty level, but if you consider the dependencies that they have and why they're working, they quickly drop below the poverty line.

You outlined one in your testimony, written testimony, about particular individual woman, single woman who was working who earned a certain salary, but if you measure expenses, she had $8 to do any of a number of things that could not be considered luxuries but necessities of life.

So all of those things, you know, we chose through those people who are making decisions ignore all of those factors in considering what is a livable wage and what is the worth of that person doing the job.

You talk about a dead-end job, you know, I know a lot of people that, as Mr. Nielson has said, are happy picking up trash. They don't have any higher expectation than that because you know why? It's a good-paying job. It provides them with all the security they need. And that's really what it's all about: the security we need to maintain a reasonable standard of living, and then we become happy in the fact that we're productive human beings.

I don't know how anybody can be happy and not be poor of spirit who is not making a wage that at least gives them the security of a decent standard of living. I just feel that way.

Thank you, Mr. Chairman.

Mr. FRANK. Well, if the gentleman reads Mr. Boulter's statement, perhaps he will be enlightened, because Mr. Boulter has preached the virtue of a happy spirit in the face of no money. [Laughter.]

Mr. MARTINEZ. I can remember when I had four children and I was struggling with a low-paying job, looking to train myself in something else so that I could make higher wages. At that period of time, the only thing that gave me any hope and spirit was the fact that I knew that I had the ability to train myself for a higher paying job.

But in my particular situation, I was not rich in spirit, nor were my children rich in spirit.

Mr. FRANK. The point that was made.

Thank you.

I want to thank you both very much. This has been very helpful.

Ms. GREGORY. Thank you.

Mr. FRANK. Next we will hear from our panel of Alfred Kahn, who is an economist at the Columbia School of Social Welfare; and Mary Bourdette, who is director of government affairs at Children's Defense Fund. I thank you both for your forbearance.

## STATEMENT OF ALFRED KAHN, PROFESSOR, COLUMBIA UNIVERSITY SCHOOL OF SOCIAL WORK

Mr. KAHN. Shall I lead off?

Mr. FRANK. Yes, please.

Mr. KAHN. I am Alfred J. Kahn. I am a professor at the Columbia University School of Social Work, and my field is social policy and planning. I am not an economist. There are other Alfred Kahns who are economists, including one who prevailed here in Washington a few years ago.

Mr. FRANK. He worked here. I am not sure he would claim that he prevailed.

Mr. KAHN. Yes. Well, OK. He wore a button called WIN.

Mr. Chairman, and members of the committee, I am speaking for myself and for Dr. Sheila Kamerman, who is codirector with me of a research program called Cross-National Studies.

For about 15 years we have been studying the social policies of advanced industrial countries and comparing U.S. policies with them. And we have, with financial support from the Social Security Administration, carried out a study on which I want to rely today in shedding some light on the options that you face in considering the issue of the working poor.

I want to say a thing about looking at other countries before I get specific. We don't believe that any one country ordinarily can copy its policy solutions from another country. No two countries are alike, and values and preferences and political interests are quite different, as are populations.

However, since different countries have already enacted and experienced different strategies, the advanced industrial world may be considered in some ways as a laboratory of natural experiments. You can't manipulate large social policies to do laboratory experiments, but you can recognize that the world, in a sense, is a laboratory of natural experiments and that you can learn how certain policies turn out if you manage to look at what's gone on in other countries.

Social Security was invented in Europe, and imported here in the 1930's. There are solutions on the other side of the Pacific that people in industry are now looking at for other purposes and so forth, and vice versa.

I want to say one other thing. I am mindful of the votes on tax reform and the deficit yesterday, and I recognize that you are not going to enact any new policies in the field in which I am talking to you about today. This Congress is not going to do that, obviously.

But I regard this as a seed time, and I am here to add some ideas to your agenda, some items that belong on an essential menu for a society that cares about its working poor.

Basically, I am going to try to argue that if you look at countries that are more successful than we in this field, you find that a strategy of what might be called income supplementation is a good strategy.

That is, the assumption that people work, will be expected to work, will be helped to work, will be trained to work, will be helped to find work, but also that a lot of people in our society are going to work for low wages, wages which will not make it possible for them to pull it off, and that if we think that work is an important value, that there are strategies which fit under the general rubric of what I will call income supplementation, which will make a difference.

I want to concentrate on a study of income transfers that was supported, as I said, by the Social Security Administration. It was carried out in the United States, Canada, England, France, West Germany, Sweden, Israel, and Australia, with research teams that we contracted with and that cooperated with us and that had the cooperation of their governments, in turn.

What we mean by income transfers is social insurance, public assistance, child allowances, tax credits or rebates, food stamps—that is, the ways in which public policies distribute resources directly to individuals when for one reason or another the market is not viewed as doing the job satisfactorily.

I am not going to give you research detail. You don't need that from me, and it's hard to listen to, anyway. I will file a research report with the hearings, but I will answer questions for you.

But you may want to know that we picked the countries we did because some are richer than others, some are very poor countries, some are unitary countries, some are federal systems, and they also had different interests in income maintenance as a way of dealing with family issues and family problems.

What we basically did was to take families in each of these countries, take the same family through the wage system and transfer system in each of the countries, look at its net income at the end of the year, and compare that net income to the net income of the average production worker in that country, express that as a ratio, and then have a way to rank families.

That's the device that makes it possible to look across and see how will families of various categories and types fare in different countries. A single mother who doesn't work, a single mother who works, a low-earner family, a high-earner family, a two-earner family of the sort that the gentleman was talking about before, a family with four kids which now ranks as a large family in most of the world, a family with two kids, and so forth.

What we basically did was to concentrate, for your purposes, on those families that can be thought of as the working poor. That is, we took a family of a father and mother and two young kids, the father works intermittently. We took a single woman who doesn't work and lives on welfare. We took a single woman who works, earns half of an average wage, and tries to manage. We took a family of an unemployed family, unemployed, on work programs,

et cetera. And then we took a family with four kids, a father working, and only an average salary.

We compared how they did relative to the average worker in their own countries. What we found should not surprise anybody, because when you look at the working poor, you discover what we know from our census data here in the United States, and the U.S. story is well known. That is that we have a significant subgroup in our poverty population that does consist of mother-only families where the mother is working, and two-parent families with at least one working parent.

I am sorry I didn't hear the earlier testimony here, but I am sure somebody pointed out to you that if you take a minimum wage and multiply it by 40 hours a week, you're below the poverty line for a family of two in the United States. So if you're asking whether working people have poverty, of course they do by the definitions of what we're calling poverty and by the general agreement that this isn't the time to raise the minimum wage, because we're going to lose jobs if we do. And so the issue is, what are we going to do otherwise?

The last time I looked, about 20 percent of all Americans were poor before there were any transfer payments—and perhaps Peter Gottschalk testified about that—and that we had both in two-parent families and in single-parent families.

Now, with that in mind and to conserve your time, I will simply make a few generalizations about a few family types. If the gentlemen would look at the chart at the very last page, you can see some of the numbers that I will be referring to, but I think I can make the point even for people who don't want to watch the numbers.

We used New York and Pennsylvania for the United States because we decided that we would deal with States that have relatively generous welfare benefits and relatively generous ways of relating food stamps and welfare. At the time that we put this together, New York ranked as one of the five or six top States, depending on what category you used. Pennsylvania was about a third down in distribution.

And we stopped at that point because we discovered that all States in the United States that ranked behind Pennsylvania ranked behind all the other countries in the study in their generosity to the working poor.

That is, as a country, we have not undertaken to do anything in the realm of concern with working poor. And that's why I wanted to give you a bit of a menu today of what these countries do.

I won't read numbers at you, except to say that Pennsylvania ranks last. New York ranks in the middle. The generous countries are France and Sweden. England and Canada are somewhat up above. But Germany is usually third.

Australia and Israel rank lower down, but usually not as badly as we do in some things for the whole country but usually not as well off as New York. Israel is a much poorer country, of course, than the United States.

Australia has a means-tested social insurance program; that is, even Social Security benefits are means tested, as is unemployment insurance in Australia, and so you would expect them to rank low

in generosity. They are a sort of an egalitarian country of a frugal sort, if you want to characterize the way in which they deal with these things.

But the thing that you notice when you look at these families and compare them is, first, when you look at a family where a single mother is working and has two children—that's 2A on that chart—except perhaps in Germany, where the taxes were very heavy, she is always better off in every country than the welfare mother. That is, even if she's earning half of an average wage. She is always better off even in the United States, if you have a generous State like New York at the time, with a decent welfare level plus food stamps. And we didn't even give financial value to public housing because it isn't uniformly available. We only took the entitlement programs.

On the other hand, if she's living at home on welfare and not in the labor force, then she's down there and looks very bad compared to all the other family types.

As you know, in the last 5 years we've cut the generosity of welfare benefits to the working poor by decreasing income disregards. And so this margin becomes less satisfactory than it was, although Congress reestablished partially for the first 4 months, as you know, last year, in 1983.

Sweden is far more generous than we are because—and this is what I want to get to—they have family allowances, housing allowances, advance maintenance payments, et cetera, as do some of the other countries.

If you look at the family—and I am cutting this because I want to hit the generalizations in a few moments—if you look at the family of the intermittent worker—that is, a man who ends up having earned half of an average wage in the course of a year and he has two kids and a nonworking wife—he is treated relatively respectably in a place like New York because we have a general assistance program for which he is eligibile that is at the same level of AFDC.

But if you put him into a State like Pennsylvania and most of the rest of the country, he's way down there because you don't have general assistance or it's much less generous.

Here is where it makes a great difference to be in Sweden, Germany, or France where you have family allowances, housing allowances, and some other programs that I will mention.

I do not want to act as though you're dealing with generosity here, because if a family of two comes out ranking satisfactorily and a family of four comes out ranking somewhat better, if you translate it into per capita, then the unemployed father or the intermittent worker is sustaining his family at a very low level, but nonetheless, again they're doing better than we are for most family types.

The Europeans and the Israelis also treat large families—that is, low-earner intact families with more than the average number of children—as vulnerable. But we don't in the United States. That is, we have no programs for which they are eligible, nor are there any special benefits available to them unless they are so low that they might reach the food stamp eligibility level.

The Europeans provide family allowances and housing allowances to them, and they keep that family of four children in the relatively respectable position in France, Sweden, and Germany. England and Israel are not so generous as that.

These summary statements require additional information if you want to interpret them. First, the working single mother with two children does not need public assistance anywhere except in the United States, Canada, and Australia. That is, if she's working and she has access to some of the supplements I talk about, she does not require public assistance.

On the other hand, the irregular worker's family—that is, the up-and-down—may also get public assistance for a brief time. And in none of the other countries does the large family require or receive public assistance. There is a token amount in Sweden under certain circumstances.

What did we conclude from all this, before giving you the specifics about programs? First, those who work are always better off than those who live on income transfers, whether you call them welfare or whatever else.

Second, those without children are always better off economically than those with children, no matter what these countries do by way of income transfers, child allowances. Anything that they do never makes up.

That is, people who are raising children are indulging in a consumption good, so to speak, in all societies, even though the society might think of them as a long-range investment if it cares about its labor force, its army, its congress and anything else.

However, the generous countries, as far as vulnerable families are concerned, are those willing to insure some type of income supplementation for the working poor. The most important programs I would like to mention briefly are: children's allowances, housing allowances, advanced payments of child support if the father doesn't pay it or doesn't pay the full amount in single-parent families. Available as a last-ditch supplementation is public assistance in some places, AFDC or SSI, or general assistance in our country, but SSI doesn't affect these families, of course.

We stress here that in accounting for the different financial burdens of workers, what is most important is the availability of these supplements that add to modest earnings that don't substitute for earnings as a way of managing.

A word or two about each.

Am I running out of time?

Mr. FRANK. We are. Yes, if you can sum up in a couple of more minutes.

Mr. KAHN. OK. Two minutes.

First, children's allowances, given to every child. In sensible countries, a decent amount of money. In the U.S. model, taxable, or perhaps a tax credit instead of the exemption in the tax system. Children's allowance.

Second, housing allowance, recognizing that the market doesn't produce housing at a rate that middle-income people can afford in most large cities. Therefore, the desire to provide in the form of a voucher a supplement to pay rent, something like what the present administration has recommended in its Housing Voucher Program,

but as an entitlement rather than as a very small program available to only a small number of children.

Third, advanced payment of child support; that is, a guarantee that if the wife or the unmarried spouse, has gone to court, or if the court has called for child support, if every effort has been made to collect it, the society advances the support as an investment in the children and takes on the collection task for itself. It works very well in a large number of countries.

What is accomplished through all of this—and my testimony has information about the standard of living, about the amount of money that's involved in each of these and about the results in terms of country ranking and so forth. What is accomplished is you make it possible for people to work their hardest at the skill level that they have, to be self-respecting, self-supporting members of the society and to be given either universal benefits that are taxable so that you don't really let rich people end up with them, or income-tested benefits that are high enough to be acceptable, like student loan-type of levels of eligibility, housing allowances, and so forth, but again as taxable benefits so that you're not wasting money. On the other hand, you're treating your society as a unified group of people in which it's unusual to be fully dependent on income transfers, except if you're fully disabled or reached an age when you can't work, et cetera.

The expectation in all these countries, by the way, is that mothers of young children will work, and it's acceptable, et cetera, and for that, of course, you have to support the child-care recommendation I heard here earlier, do something about parental leaves, maternity leaves, parent leaves, generally, and those sorts of things for transition periods.

I will stop now and answer questions.

[The prepared statement of Mr. Kahn follows:]

# INCOME SUPPLEMENTATION AND THE WORKING POOR

Alfred J. Kahn and Sheila B. Kamerman,
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Cross-National Studies of Social Services and Family Policy

Chairman Frank and Members of the Subcommittee:

We appreciate this opportunity to draw upon both the results of our eight-country collaborative study, funded largely by the Family Assistance Research Program of the Social Security Administration, and upon several of our related comparative policy studies, supported by major private foundations, to address some of the social policy challenges currently faced by our society.

We do not believe that one country can, ordinarily, copy its policy solutions from another. However, since different countries have already enacted and experienced different strategies, the advanced industrial world may be considered in some way as a laboratory of natural experiments. We have attempted to utilize a pattern of cooperative international research, involving expert teams in all countries, to assemble data about societal learning in several fields.

Here, at your initiative, we concentrate on relevant material from a study of income transfers in the U.S. and seven other major western industrial societies. The countries are: U.S., Canada, England, France, West Germany, Sweden, Israel, and Australia. Income transfers are defined to include social insurance, social assistance, child allowances, and tax credits or rebates. In short, they are the ways in which public policy distributes resources (cash and cash-equivalents like food stamps) when the distribution of resources through the market is

viewed as inadequate.

To conserve time and spare the Subcommittee a recital of technical research detail, some of the highlights of this study are in a previously published article appended to this testimony. ("Income Maintenance, Wages, and Family Income", from Public Welfare, Fall, 1983). A full report of the study findings is available in a published book, a monograph, and ten policy articles in various journals. These, too, are listed in our research program's Consolidated Publication List, which follows this testimony.

However, to understand and assess the data to be offered and the policy conclusions drawn, the Subcommitte will want to know the following: Our countries vary considerably in wealth - as measured by per capita GNP; we have representation from both federal and unitary governmental structures; the countries vary, as well, by their explicit commitments to employ income transfers in a coordinated way to implement family policy objectives.

The study considered how various types of families with young children (those with one or two parents; those with one, two, or four children - and with no children, to provide contrast), with different labor force status among parents (employed, unemployed, not in the labor force), and with six different wage levels (ranging from no wage to three times average wage) fared economically. Its focus was their situation at the end of a year of receiving earnings and government income transfers after

payment of taxes. A second focus was on the types of transfers used in different countries as well as on the alternative approaches employed in providing transfers. We drew up a selection of fifteen family types, making them standard in marital status, labor force status, number and age of children, work history, and wage as proportion of each country's average wage. (See Appendix for Tables 1 and 2) We also identified ten major income transfer programs in the countries studied. Not every program exists in every country. For purposes of comparison we assumed that all who qualified for a benefit both claimed and received it, although we realize that this is not necessarily the case.

For today's purposes, we have assembled materials from the research related to the working poor. The Subcommittee has access to recent poverty rates from the Census Bureau and does not need us to remind it that despite the feminization of poverty and the growth of child poverty, there is a significant subgroup in our poverty population consisting of mother-only and two-parent families with at least one working member. Indeed, about one-sixth of all poor children (2.3 million) live in a family with at least one working parent.

This may be discouraging but should occasion no surprise. Our society does not set wage rates with a view toward people's needs: the single man with no dependents and the father of five young children in an intact family may be on the same assembly

line earning the same wages. There is some international experience with a family wage. We refer you to Australia which abandoned it and to the Netherlands, where the base wage is set with a family in mind. We in the U.S. prefer wages in the private sector to be set in the market place. We do not raise the minimum wage to ensure above-poverty income to all full-time workers. By current poverty guidelines from the Census Bureau, even the $3.35 hourly minimum wage ($6969 for a full year) would not quite keep a family of two out of poverty if only one member worked. By the last available analysis, over 20 percent of all Americans were poor in 1984 (18.5 percent of families and 36.1 percent of unrelated individuals) before public policy entered with income transfers and tax aids.

With this in mind, we invite your attention to Tables 3 and 4, reproduced in the appendix from our article in the journal Public Welfare, Fall, 1983. The numbers tell you what portion of the average production worker's wage is available to each family type in the course of the year in each country. Inter-country rankings of "generosity" are provided. Relevant to today's topic are:

- Family 3A - A two-parent, two-child family with one employed parent earning an average wage.

- Family 3B - That same family but with a father who works irregularly and grosses one-half the average wage.

- Family 2A - A single mother, raising two children, but earning only half the average wage.

- Family 6 - A two-parent family with the father in the labor force, earning an average wage, and the mother at home, with four children.

For purposes of our study, families 2A, 3B, and 6 are the working poor. As you will see subsequently, some countries regard family 3A as requiring transfer payments, too, if children are to be reared at an adequate level.

"Generosity" is here meant only to describe the income level of a family in a given country compared to the annual net income of the average production worker.

To read the tables you need to understand why we report on both Pennsylvania and New York. At the time of the study, New York was one of the most generous five or six states in its public assistance levels, the exact rank varying with the measure used. Pennsylvania tended to be about one-third the way down into the distribution. We also collected data for Alabama and Tennessee, but the analysis revealed quite early that benefit levels of vulnerable families in Pennsylvania were less generous than those in all other countries. The rest of the U.S. lagged further. We therefore report only New York and Pennsylvania. You will want to recall that the families in groups 5 and 7 shown in the tables are high earners or childless. For such relatively affluent

families, we in the U.S. compare well - because our income taxes and social security deductions are relatively modest by international standards.

Let us now look at Family 2A, the low-earner, single parent with two children. Except perhaps in Germany where taxes - since that time revised - were heavy, clearly, she is far better off than the welfare mother of 1A. The New York results are dramatic. The result depends on AFDC income supplementation, food stamps, income tax rates, and the Earned Income Tax Credit. Life on AFDC alone, for family 1A where the mother is at home and not in the labor force, is a far less generous option. Currently, decreased earnings disregards and less credit for child care costs in New York would make the comparative U.S. picture of the low-wage, working mother less satisfactory. Sweden is even more generous to family 2A; we shall comment later on the family allowances, housing allowances, and advanced maintenance payments that supplement this mother's earnings. Here, we stress the U.S. mother and her children as better off financially than the family completely dependent on social (public) assistance. (We note, however, that we have not included the value of the welfare mother's medicaid coverage.) Indeed, on a per capita basis, the single mother who is in the workforce provides her family with a better standard than does the father in 3A.

Now look at the family of the man who works irregularly (3B).

Again the New York picture is, comparatively, respectable, but Pennsylvania and most of the U.S. trail all the countries. New York's home relief allows public assistance support but not Pennsylvania's. It makes a big difference. Here, Sweden and France, countries which employ income transfers to implement explicit - if quite different - family policies, are in the lead. The critical program differences are family allowances and housing allowances.

But we have focused on the income of the family as a unit. On a per capita basis this family is not better off than most unemployed families or even those single-parent families completely dependent on transfers in some countries - or only a little better off than they are, in others.

The U.S. jurisdictions lag particularly in response to the four-child family (6). Here, New York ranks seventh among the nine jurisdictions and Pennsylvania is tied for eighth place with Australia (where almost all income transfers are income-tested and, thus, not generous).

The Europeans and Israelis treat large families - low-earner intact families with more than the average number of children - as vulnerable too, but not the U.S.. The U.S. families are not eligible for public assistance or food stamps, nor are there any other special benefits available to them. The Europeans provide generous family allowances and housing allowance aid. These income supplements keep family 6 in a comparatively respectable

position in France, Sweden, and Germany. U.K. and Israel are the middle jurisdictions. On a per capita basis, however, we found that only the welfare mother, the unemployed, and the irregular worker's family are relatively worse off than the large family even though in that family there is one wage earner working full time and earning an average wage.

These summary statements require additional information for the findings to have meaning. First, the working single mother with two children (2A) does not need public assistance anywhere except U.S., Canada, and Australia. On the other hand, the irregular worker's family (a family nowhere well-targeted with consistent policy) needs and receives it in Sweden, Germany, and Israel as well as in New York. The large family does not require or receive social assistance (except on a token basis in Sweden).

Are there any lessons in all of this? First, we must introduce two of the study's general conclusions:

- Those who work are better off economically than those who depend completely on income transfers.

- Those without children are better off economically than those with children - and transfers do not compensate sufficiently to undo that fact.

However, the generous countries, as far as vulnerable families are concerned, are those willing to ensure some types of income supplementation for the working poor. The most important

programs are children's allowances, housing allowances, and advanced payments of maintenance for children in single parent families (or in reconstituted families). Available, but less significant, and stigmatized, is public assistance.

We stress here, that in accounting for the differential financial burdens of workers, what is most important is the availability of income transfers that supplement - add to - earnings when they are modest.

Sixty-seven countries, including every major industrial country other than the U.S., compensate somewhat for the costs of rearing children by sharing in these costs through family or child allowances. These allowances, provided either as cash transfers or as tax credits, vary in several ways among countries but, generally, are universal rather than income-tested payments, and are worth about 10 percent of average wage. France also adds a family allowance supplement, income-tested, but available to those with a child under age 3 or three or more children, well into the income distribution. It carries no stigma. (France changed, and expanded its supplementary family allowances since our study was completed; a new law was passed in the beginning of 1985.)

The other major form of income supplementation is the housing allowance, an income tested but non-stigmatized entitlement which recognizes that often the market cannot produce standard housing at costs that average and low earners can afford. Those who pay



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above a reasonable portion of their earnings for rent or towards taxes, interest and mortgage amortization, may receive cash payments according to a scale which considers family size and income. (The Reagan Administration's housing voucher proposal is not unlike this but would be a small program, not an entitlement.)

To illustrate the value of these income transfers employed to supplement the income of the working poor: in France the combination of the family allowance and housing allowance entitlements increases the income of the 2A family (single working mother) the equivalent of one-third the average production worker's wage (APWW). For the irregular worker (3B), the increase is 37.4 percent of the APWW and for the four-child family (6), the combination of the family allowance and housing allowance is equal to 63 percent of the APWW.

In Sweden the equivalent value of the allowances, as compared to the net APWW are: family 2A, 33 percent; family 3B, 33 percent; family 6, 55.6 percent.

The income of the typical "non-problem" family 3A, the family often described as the "traditional family", with a working father earning an average wage and an at-home mother and two children, is supplemented to the equivalent of 27.3 percent of APWW in France and 29.6 percent of APWW in Sweden.

The advance of maintenance (child support) payments is

especially important to the single parent families. This benefit was very significant in Sweden at the time of the research and since then has been developed more extensively also in France, Germany and Israel (and also in Austria and Denmark, among the countries not in our study). Through administrative agencies and the courts, the government protects the rights of children in separated and divorced families, as well as in families without marriage, to payment of financial support by the absent parent. However, if the absent parent does not pay support, government makes regular payments, usually at a level above the welfare budget, and itself undertakes the collection.

What is accomplished through these and related entitlements is a buttressing of earned income, usually to a standard well above that which is achieved by current policy in the U.S.. Food stamps and AFDC achieved economically similar results in the generous states before 1981, but with stigma. Most states, however, were not so generous. Moreover, even in the generous states, these benefits have since been cut back somewhat. What is central is the fact that even if income-tested, some supplements - especially housing allowances - may be pitched relatively high into the income distribution ( in a fashion analogous to U.S. student loans). Furthermore, the most important supplement, the children's allowance, is not income-tested at all; it is a universal benefit, for all children. The availability of these benefits encourage lone single parents to work and help them do their best as respected members of society, while ensuring some

supplementary contribution to the children's living standards. In all of these countries national policy also ensures access to medical insurance or medical service as well, so that there is no need to remain medically indigent, in fear that a small increase in earnings will cause a larger cut in medical care - for the children. Work on the part of mothers of young children is also supported by extensive public subsidies for child care and pre-school for the 3 to 5 year olds in the leading countries.

We offer these conclusions and recommendations:

1. Income supplementation is effective social policy where the objective is simultaneously to encourage work as the main source of family support, yet to protect the level of living of low earners who are parents with young children.

2. We would do well in the U.S. to give serious consideration of appropriate forms of

- children's allowances
  housing allowances
  advance on maintenance payments for child support.

3. Public assistance and food stamps are well developed U.S. forms of supplementation but their availability as income supplements has been unwisely curtailed in recent years. The Congress has made some corrections over the past two years but needs to go further.

**Table 1. Family Types**

| | |
|---|---|
| Family 1A | Single mother, unemployed; two children, age two and seven. (These ages apply to all children, except in Family 6, where two additional children are three and five.) |
| Family 2A | Single mother, separated; employed at half an average wage, two children. |
| Family 2B | Same as Family 2A but father contributes amount equal to double the amount paid for child allowance for one child, one year (twice AFDC allowance in the United States). |
| Family 3A | Two parents; one earner at average wage; two children. |
| Family 3B | Same as Family 3A, but earner works irregularly at half an average wage. |
| Family 4A | Two parents; one unemployed earner; two children. |
| Family 4B | Same as Family 4A, but earner is on a work-training program. |
| Family 4C | Same as Family 4A, but earner is unemployed for thirteen months. |
| Family 5A | Two parents; two earners, one at average wage and the other at half an average wage; two children. |
| Family 5B | Same as Family 5A, but one parent earns an average wage and the other twice the average wage. |
| Family 5C | Same as Family 5A, but mother is unemployed. |
| Family 6 | Two parents; one earner at average wage; four children. |
| Family 7A | A married couple; one earner at average wage, no children. |
| Family 7B | Two parents, two earners, one at average wage; the other at three-quarters of an average wage; mother home on maternity leave; infant born. |
| Family 7C | Same as Family 7A, except husband unemployed and wife earning an average wage. |

## TABLE 2

### "Core" Income Transfer Programs, by Country [a]

| Country | Family (child) allowance | Housing allowance | Social assistance | Child support (govt.) | Unemployment insurance | Other unemployment benefits | Child allowance supp. | Food Stamps | Refundable tax credits | Maternity benefits |
|---|---|---|---|---|---|---|---|---|---|---|
| Sweden | X | X | X | X | X | X[b] | - | - | - | X |
| W. Germany | X | X | X | X | X | X[c] | - | - | - | X |
| U.S.—N.Y. | - | - | X | - | X | - | - | X | X | X |
| U.S.—Pa. | - | - | X | - | X | - | - | X | X | - |
| France | X | X | X | X | X | - | X | - | - | X |
| Canada | X | - | X | - | X | - | - | - | X | X |
| Australia[a] | X | - | X | - | - | X[c] | - | - | - | - |
| U.K. | X | X | X | - | X | - | - | - | - | X |
| Israel | X | - | X | X | X | - | - | - | - | X |

[a] We classify Australia under unemployment assistance and social assistance even though one could debate just how these income-tested benefits should be regarded.

[b] Labor market assistance.

[c] Unemployment assistance.

**Note**: We here use generic names for programs and ignore what are significant distinctions. For example, the British child benefit is not the same as the FRG child allowance; the Swedish advance maintenance grant is quite different from the Israeli alimony payment—as the text subsequently shows.

Table AB-2. The Percentage Contributions of Various Transfer Programs to Net Yearly Income: Family 2a - Sole Parent, Mother, Earns Half an Average Wage

| Programs | Sweden | FRG | US-NY | US-Penn | France | Canada | Australia | UK | Israel |
|---|---|---|---|---|---|---|---|---|---|
| Family allowance | 10.1 | 13.1 | - | - | 8.4 | 5.4 | 5.8 | 16.9 | 12.0 |
| Family allowance supplement | - | - | - | - | 15.3 | - | - | - | - |
| Housing allowance | 16.7 | 8.2 | - | - | 13.9 | - | - | 7.9 | - |
| Unemployment insurance | - | - | - | - | - | - | - | - | - |
| Unemployment assistance | - | - | - | - | - | - | - | - | - |
| Social assistance | - | - | 28.5 | 6.9 | - | 4.1 | 23.5 | - | - |
| Refundable tax credits | - | - | 3.6 | 5.2 | - | 8.4 | - | - | - |
| Advance maintenance | 21.8 | - | - | - | - | - | - | - | - |
| Food stamps | - | - | 8.2 | 4.7 | - | - | - | - | - |
| Maternity benefit/grant (statutory) | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Father's Contribution | - | - | - | - | - | - | - | - | - |
| Earned income minus deductions and taxes | 51.3 | 78.7 | 59.7 | 83.2 | 62.4 | 82.1 | 70.7 | 75.2 | 88.0 |
| Total | 99.9 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| % of APWW | 123.1 | 70.9 | 100.8 | 69.2 | 87.8 | 75.9 | 78.8 | 83.0 | 71.5 |

INCOME MAINTENANCE

Recent and Forthcoming Publications

Alfred J. Kahn, "Welfare Reform Is Possible," Columbia Spectator's Broadway (February 23, 1984).

Alfred J. Kahn, "Long-Term Care Issue is More Demanding As Other Pressures Mount," Perspectives on Aging, Vol. XIII, No. 3 (May/June, 1984).

Sheila B. Kamerman, "Women, Children, and Poverty," SIGNS, (Winter, 1984).

Alfred J. Kahn, "Financial Help for Vulnerable Families: The Income Transfer Menu," (Washington, D.C.: Women's Research and Education Institute, 1985).

Alfred J. Kahn, "Public Policy and Economic Security: Changes and Challenges in Western Societies," Fifth World Congress, International Society on Family Law, July 1985 (publication pending).

Alfred J. Kahn and Sheila B. Kamerman, "Family Income Maintenance in Industrial Societies," in Alexander J. Groth and Larry L. Wade, editors, Public Policy Across Nations, States, and Cities (Greenwich, Ct.: JAI Press, 1985).

Earlier Publications

Alfred J. Kahn and Sheila B. Kamerman, Income Transfers for Families with Children: An Eight-Country Study (Philadelphia: Temple University Press, 1983).

Sheila B. Kamerman and Alfred J. Kahn, editors, Essays On Income Transfers and Related Programs in Eight Countries (New York: Columbia University School of Social Work, 1983).

Sheila B. Kamerman and Alfred J. Kahn, "Income Transfers, Work, and the Economic Well-Being of Families with Children," International Social Security Review, XXXV, (No. 3, 1982), pp. 345-382.

Sheila B. Kamerman and Alfred J. Kahn, "Child Support: Some International Developments," in Judith Cassety, editor, The Parental Child-Support Obligation (Lexington, Mass.: Lexington Books, D.C. Heath and Co., 1983), pp. 227-239.

Alfred J. Kahn and Sheila B. Kamerman, "Income Transfers and Mother-Only Families in Eight Countries," in Social Service Review, Vol. 57, No. 3 (September, 1983), pp. 448-464.

Sheila B. Kamerman and Alfred J. Kahn, "Income Maintenance, Wages, and Family Income," in Public Welfare, Vol. 41, No. 4 (Fall, 1983), pp. 23-30.

Alfred J. Kahn and Sheila B. Kamerman, "Public Assistance: An Eight-Country Overview," Journal of the Institute for Socioeconomic Studies (December, 1983).

Sheila B. Kamerman, "Can Nothing Be Done About Child Poverty?", The Wilson Quarterly, Winter, 1983.

**Table 3. Intercountry Comparisons: Generosity to Different Family Types (as a Percentage) Compared with Net Income of Average Unmarried Production Worker**

| Country | Family Types | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1A | 2A | 2B | 3A | 3B | 4A | 4B | 4C | 5A | 5B | 5C | 6 | 7A | 7B | 7C |
| Sweden | 93.8 | 123.1 | 123.1 | 133.1 | 122.6 | 121.2 | 124.2 | 116.5 | 170.0 | 258.1 | 163.0 | 164.1 | 103.4 | 155.0 | 190.7 |
| Germany | 67.3 | 70.9 | 76.3 | 119.7 | 87.5 | 89.0 | 99.0 | 81.2 | 167.1 | 275.2 | 141.0 | 148.0 | 110.0 | 149.1 | 174.0 |
| U.S.-New York | 54.9 | 100.8 | 100.8 | 111.8 | 92.2 | 70.0 | 77.0 | 65.6 | 155.8 | 260.3 | 130.2 | 116.4 | 107.0 | 116.8 | 133.5 |
| U.S.-Penn. | 44.0 | 69.2 | 75.3 | 109.6 | 72.9 | 67.2 | 64.5 | 53.9 | 156.8 | 271.9 | 132.3 | 113.0 | 106.2 | 107.9 | 146.4 |
| France | 78.6 | 87.8 | 103.4 | 136.9 | 93.0 | 101.1 | 104.5 | 112.7 | 180.8 | 310.3 | 180.8 | 172.6 | 107.9 | 151.5 | 179.9 |
| Canada | 52.5 | 75.9 | 75.5 | 114.2 | 73.0 | 76.8 | 76.3 | 55.8 | 165.0 | 289.1 | 141.9 | 123.5 | 104.9 | 121.5 | 154.1 |
| Australia | 50.0 | 78.8 | 82.1 | 107.2 | 79.7 | 64.3 | 81.4 | 64.3 | 155.9 | 269.8 | 107.2 | 113.7 | 102.6 | 104.0 | 102.6 |
| U.K. | 51.7 | 83.0. | 91.6 | 120.4 | 80.9 | 74.1 | 105.4 | 65.3 | 177.3 | 324.3 | 153.9 | 131.6 | 109.2 | 134.5 | 151.0 |
| Israel | 50.0 | 71.5 | 80.1 | 112.9 | 86.4 | 67.9 | 70.1 | 54.9 | 171.5 | 286.8 | 126.5 | 132.4 | 104.3 | 124.2 | 123.6 |

NOTES.—Net APWW = 100.0. Countries are listed in order of average income (per capita GNP) which ranged in 1979 from $11,920 for Sweden and $10,820 for the U.S. to $6,340 for the U.K. and $4,170 for Israel.



**Table 4. Intercountry Comparisons: Generosity to Different Family Types as Compared with Net Income of Average Unmarried Production Worker (Rankings)**

| Country | Family Types | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1A | 2A | 2B | 3A | 3B | 4A | 4B | 4C | 5A | 5B | 5C | 6 | 7A | 7B | 7C |
| Sweden | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 9 | 2 | 2 | 8.5 | 1 | 1 |
| Germany | 3 | 7.5 | 7 | 3.5 | 4 | 3 | 4 | 3 | 5 | 5 | 4.5 | 3 | 1.5 | 3 | 3 |
| U.S.-New York | 4 | 2 | 3 | 7 | 3 | 6 | 6.5 | 4.5 | 8 | 8 | 7 | 7 | 4.5 | 7 | 7 |
| U.S.-Penn. | 9 | 9 | 8.5 | 8 | 8.5 | 7.5 | 9 | 9 | 8 | 6 | 6 | 8.5 | 4.5 | 8 | 6 |
| France | 2 | 3 | 2 | 1 | 2 | 2 | 2.5 | 2 | 1 | 2 | 1 | 1 | 3 | 2 | 2 |
| Canada | 5 | 6 | 8.5 | 5 | 8.5 | 4 | 6.5 | 7.5 | 6 | 3 | 4.5 | 6 | 6.5 | 6 | 4 |
| Australia | 7.5 | 5 | 5 | 9 | 7 | 9 | 5 | 6 | 8 | 7 | 9 | 8.5 | 8.5 | 9 | 9 |
| U.K. | 6 | 4 | 4 | 3.5 | 6 | 5 | 2.5 | 4.5 | 2 | 1 | 3 | 4.5 | 1.5 | 4 | 5 |
| Israel | 7.5 | 7.5 | 6 | 6 | 5 | 7.5 | 8 | 7.5 | 3 | 4 | 8 | 4.5 | 6.5 | 5 | 8 |

NOTES. Ranks are defined as less unless the ratios (annual income as percentage of net APWW) differ by 1 percent. A score of 1 means that the net family income is higher relative to the net income of an average production worker than is any similar family in any other country. A "9" means that the family standard is lowest among the jurisdictions.

Mr. FRANK. Thank you very much, Professor Kahn.

We will hear now from Mary Bourdette, of the Children's Defense Fund.

**STATEMENT OF MARY BOURDETTE, DIRECTOR, GOVERNMENT AFFAIRS, CHILDREN'S DEFENSE FUND**

Ms. BOURDETTE. Thank you, Mr. Chairman and members.

It's particularly ironic that the subject of my testimony today is the impact of Federal taxes on the working poor, because the Tax Reform Act that was defeated in the House yesterday would have provided more assistance to the working poor than any piece of legislation that has been considered in some long time in Congress.

Let me begin, however, by saying that we all know that the poverty rate has increased dramatically since 1979, and particularly for children where over 20 percent of the children in this country are now poor. Children in all types of families are more likely to be poor today than in 1979. And particularly relevant for the hearing today, children in families in which parents are working are more likely to be poor today than several years ago. Fully one-sixth of all the children in poverty-level families have at least one parent working full time, and one-third of all poor children in two-parent families have at least one parent working full time.

Certainly, no longer is employment a guarantee against child poverty in this country. And many, many reports, including a new one by the Joint Economic Committee, have shown that families are working much harder in recent years but are simply not making it. The biggest income loss for most families with children has occurred between 1979 and 1985.

It's very important, I think, to recognize that during the same period of time, since 1979, families who are struggling to support their children on poverty-level wages have also been subject to an enormous increase in their Federal tax burden. More and more families at poverty level and below are paying a greater and greater share of their income in Federal taxes.

One of the ways this is measured is by comparing the income tax threshold, the point at which families begin to pay taxes, to the poverty line. And while up until 1979, the income tax threshold was more than 16 percent above the poverty line, by 1985 it was more than 16 percent below the poverty line, and it will continue to drop below the poverty line unless changes in our tax system are made.

So our Federal tax system not only impoverishes families and creates an additional obstacle to their escape from poverty, but it certainly detracts from the amount of money that families have available for the support of their children.

We recently conducted a study, which I hope you will enter in the record, entitled "The Impact of Federal Taxes on Families in Poverty." I won't go into many of the statistics, but needless to say, approximately half of all families in poverty now pay Federal income or Social Security taxes, and for many of these families their Federal tax burden has as much as quadrupled or more since 1979.

So that now, a two-parent family of four at the poverty level pays as much as 10 or 11 percent of its income in Federal taxes, in combined Federal taxes. And a single-parent family of four, again with poverty-line wages, pays even more, perhaps 12 percent of its income, in Federal taxes. Large families in this country are also taxed at a disproportionately higher level.

The Federal tax system not only drives already-poor families into poverty, but it drags families just above the poverty line into poverty as well. According to census data, in 1982 our national poverty figures would have been 7.3 percent higher if Federal taxes had been taken into account in determining poverty, and we would have had 8 percent more children in poverty if family income took Federal taxes into account.

Now, that's just Federal taxes. State and local taxes add even more to the burden of low-income working families because State and local taxes are even more regressive than Federal taxes.

Joseph Pechman, who is a tax expert in Washington, has figured that the poorest 10th of the population pays an additional 11.3 percent of its income in State and local taxes, and that's on top of its Federal tax burden.

We might ask why, given the enormous tax cut in 1981, that the poor are paying more in Federal taxes, why the poor and the near poor are the only income group who have had an effective tax rate increase since 1979. It is because despite the tax rate decrease in 1981, a greater share of the income of the working poor is subject to Federal taxation now than it was in 1979, 1980, or 1981.

As the income tax threshold drops, the poor are paying a greater share of their income in Federal taxes. And this is because, despite the rate cut in 1981, Congress failed to adjust the personal exemption, the standard deduction, or zero-bracket amount and, most importantly, the earned-income tax credit. It is those provisions that are most important for the tax burden on the working poor, not the tax rate itself.

Therefore because of the lack of adjustment in those provisions in 1981, the poor are paying a larger share of their income in Federal taxes. And without an adjustment, they will continue to pay an even greater share in the future. The income tax threshold is estimated to drop to about 22 percent below the poverty rate by 1988 unless taxes are adjusted.

Now, there are all kinds of strategies that could be adopted to assist the working poor with their Federal tax burden. The goals of such strategies are fairly clear and actually have been endorsed by all points on the political spectrum.

Both conservatives and liberals alike seem to agree that the working poor ought to be exempt from Federal income taxes altogether and have a substantial portion of their Social Security taxes offset as well. That's what we have been historically doing with our Federal tax system, but we are no longer doing it as a result of inflation and a lack of adjustment in those provisions I mentioned.

The working poor can be exempt from Federal taxes through an adjustment and increase, a substantial increase, in either the personal exemption or the standard deduction, or both. We feel it is a more efficient approach to substantially increase the standard deduction rather than the personal exemption because the standard

deduction is primarily directed to low- and moderate-income families. While an increase in the personal exemption would help families in poverty, it would help all working families regardless of need and therefore is an inefficient approach to bring tax assistance to the working poor.

It would take a fairly large increase in the standard deduction and/or the personal exemption to exempt the working poor from Federal income taxes, but both the President's plan and the Ways and Means proposal that was reported out of committee and on the floor yesterday would have exempted virtually all working families in poverty from Federal income taxes.

The most efficient approach to offset Social Security taxes is through a substantial increase in the earned income tax credit, and this is a tax credit that is exclusively available to low-income working families with children. It was enacted in 1975 as a work incentive, and it was directed toward potential welfare recipients, families who are trying to support their children, single-parent families or two-parent families.

At that time, it did offset a substantial portion of the working poor's Social Security taxes. But like the decline in value in the personal exemption and zero-bracket amount, the EITC has lost almost half its value since 1979, and no longer offsets Social Security taxes for the working poor.

It would take a substantial increase in the EITC to once again offset a substantial portion of their Social Security taxes, and that is something that we would recommend. The number of families who are claiming the EITC has dropped substantially since 1979 despite the peak in poverty in 1983. One million fewer families were eligible for that credit in 1983 than in 1979, and unless that is adjusted, fewer and fewer families will be able to claim it.

A working family of four at the poverty level in 1986 will be ineligible for the earned income tax credit, a tax credit specifically designed for those families, unless that tax credit is adjusted upwards before that time. It looks unlikely, given the status of the tax bill.

We would recommend a substantial increase in the earned income tax credit along the lines of that proposed in the Ways and Means proposal, in order to offset the Social Security taxes of the working poor.

I have attached to my testimony a chart which indicates the benefits that would result to working poor families, various types of families, from the Ways and Means tax reform proposal that was on the House floor yesterday. As I say, the President's proposal went a long way toward helping these families, but the Ways and Means bill built upon the President's plan.

There are various other tax strategies which might be explored—I know you don't have time today—that would provide additional assistance to the working poor.

The tax strategies to assist the working poor seem to be some of the few strategies that both the right and left agree to support. The earned income tax credit has long been supported by Ronald Reagan, who, in fact, advocated such an approach in 1972, when he was Governor of California. Jack Kemp in his tax reform plan has made the earned income tax credit a centerpiece of his tax reform

plan, and through that plan attempted, although not as much as the Ways and Means Committee proposal, to provide income supplements to the working poor through the tax system.

Robert Carlson, who was formerly a welfare adviser to the President, has also testified on numerous occasions on using the tax system to assist the working poor.

So it is one of the strategies that I think we have in Congress, some agreement among all sides, and I hope we can move forward. It would be most unfortunate if the tax reform proposal dies, because it was one of the ways that we could provide vitally needed tax assistance to the working poor.

We hope that next year we will provide a look at the earned income tax credit and have legislation that just addresses that subject.

Thank you.

[The prepared statement of Ms. Bourdette follows:]

## Prepared Statement of Mary Bourdette, Director, Government Affairs, Children's Defense Fund

I. Introduction

The national poverty rate has increased dramatically since 1979, peaking at over 15 percent in 1983 -- a 32 percent increase in the number of Americans poor in just four years. In 1984, 33.7 million people in this country had incomes at or below the official federal poverty level, and 13.3 million were children. Over 20 percent of America's children are now poor. Children in all types of families are more likely to be poor today than in 1979 -- including

Children in black families

Children in Hispanic families

Children in white families

Children in two parent families, and

Children in single parent families

Especially relevant to today's hearing, children in families in which parents work also are more likely to be poor today than in 1979. Fully 1/6 of all children in poverty live in families in which at least one parent works full time, including 1/3 of all poor children in married two parent families. Having a working parent is no guarantee against poverty.

A recent report of the Joint Economic Committee also stated that "Families with children are working harder to hold the line but for the most part are not making it. By far the biggest loss in income for most families with children came between 1979 and 1985."

It has been during this very same period of time -- 1979 to 1985 -- that federal taxes on families struggling to support their children on poverty level wages have skyrocketed as well. Since 1979, more and more families earning poverty level wages are paying a greater and greater share of their meager incomes in combined federal (income and Social Security) taxes. In fact, while the income tax threshold exceeded the poverty line by more than 16 percent in 1979, by 1986, it will be more than 16 percent below the poverty line for a family of four, meaning that families of four will begin paying federal income taxes at earnings of only $9,573 in 1986. Our federal tax system thus significantly contributes to the impoverishment of millions of working Americans, creates an additional obstacle to their escape from poverty, and lessens the money available to them for the support of their children. A full and appropriate federal response to this problem is both necessary and long overdue.

II. Federal Taxes on the Working Poor

The Children's Defense Fund issued a White Paper in April, 1985 -- The Impact of Federal Taxes on Poor Families -- which details the substantial federal tax burden that has been imposed on working families in poverty since 1979, and outlines an agenda for full and

equitable tax relief for them. The following statistics illustrate the seriousness and magnitude of this problem:

- Approximately half of all families in poverty now pay federal income taxes or Social Security taxes or both.
- The amount of federal taxes paid by individual families in poverty has increased dramaticlly since 1979 -- for many families the federal tax burden as a percent of their income has more than quadrupled.
- A two parent family of four with poverty level earnings paid less than 3 percent of its income in combined federal taxes in 1979, and will pay approximately 11 percent of its income in federal taxes in 1986.
- A single parent family of four -- usually headed by women already suffering from disproportionately lower wages and higher child care and other expenses -- bears an even heavier federal tax burden than a married two parent family of the same income and family size. A single parent poverty level family of four will pay approximately 12 percent of its income in federal taxes in 1986 or $1,369.

The federal tax system not only drives already poor working families deeper and deeper into poverty, but it pushes the income of the near poor below the poverty level as well. Census Bureau figures indicate that the number of persons in poverty would have increased by 7.3% or 3.2 million persons in 1982 if the count of the poor were based on after-federal tax income. The child poverty rate would have increased by more than 8 percent that year if federal taxes were deducted from family income.

In addition to federal taxes, state and local taxes further impoverish low income working families. A noted tax expert, Joseph

Pechman, has figured the effective state and local tax rate in 1985 for ten income groups. Reflecting the extremely regressive nature of state and local taxes, Mr. Pechman's figures indicate that the poorest tenth of the population pays 11.3 percent of its income in state and local taxes, while the richest tenth pays 6.9 percent. The overall federal, state and local tax burden on low income working families therefore consumes an extremely large and growing portion of the the disposable income of the working poor.

III. Why Federal Taxes on the Working Poor Have Increased

Federal taxes on the working poor consist primarily of the Social Security payroll tax and federal income taxes. Social Security taxes are levied at a flat and regressive rate, currently 7.05 percent of employee wages up to $39,600 per year. The factors determining the amount of federal income taxes paid by various families are complex, but it is the personal exemption, the standard deduction (or zero bracket amount) and the Earned Income Tax Credit (EITC) that are most important for calculating the federal tax burden on low income working families.

While Social Security taxes have been steadily rising in recent years, the poor are paying more of their income in federal taxes primarily because Congress and the President have neglected to adjust those tax provisions most important to low income workers. Coupled with inflation, the lack of adjustment in the personal exemption, the standard deduction, and the EITC in the

Economic Recovery and Tax Reform Act of 1981 (ERTA) more than offset for the poor and near poor the positive benefits of the rate reductions in that legislation. Inflation pushed up the poverty line, and the wages of the working poor, but without commensurate adjustment in these provisions, a greater share of the income of the working poor became subject to federal taxation each year. The result has been higher effective tax rates for this group and this group alone. All working families in poverty pay more federal taxes today than in 1979, and many families earning up to approximately 150 percent of the poverty rate have had their federal taxes increase as well. Moreover, the closer the family's earnings to the poverty line, the larger has been the increase in effective tax rates.

The additional economic hardship imposed by the federal tax system on working families in poverty will continue to escalate in the years ahead, albeit at a somewhat reduced rate, unless federal legislative responses are forthcoming. The working poor, therefore, have an enormous stake in the current national tax debate, and in the tax reform proposals currently pending before Congress.

IV. Federal Policy Response to the Tax Burden on the Working Poor

Numerous strategies are available to relieve the harsh federal tax burden on low income working families. The goals are clear, and have been endorsed by a wide spectrum of tax experts and policymakers alike:

1. To exempt all families with incomes at or below the poverty line from federal income taxes, and

2. To offset a substantial portion of the Social Security payroll taxes on the working poor.

Federal legislation to achieve these goals will simply restore the working poor to their 1979 tax status, and repair the economic damage imposed upon them by our federal tax system since that time.

1. The exemption from federal income taxes for those least able to pay -- families in poverty -- has been historically achieved through a combination of the personal exemption and the standard deduction or zero bracket amount. Because the value of these provisions has been seriously eroded by inflation since their last adjustment in 1979, they no longer fulfill this objective. While indexing for both provisions begins this year, a substantial increase in one or both is required to once again exempt the working poor from federal income taxes, and restore the income tax threshold to a point above the official federal poverty line.

The personal exemption is currently the only federal tax provision that differentiates tax burden by familiy size, but it is also a provision that is available to all taxpayers regardless of need. While a large increase in the personal exemption would assist

the working poor, it would be an extremely costly and inefficient mechanism for tax relief for this group of taxpayers.

A more cost-effective and targeted approach to exempt the working poor from federal income taxes is through a sizeable increase in the standard deduction for all types of households. The standard deduction is available only to non-itemizers, primarily low and moderate income taxpayers. Currently, for example, 94 percent of taxpayers with incomes of $10,000 and below do not itemize deductions, and 80 percent of those with incomes between $10,000 and $20,000 are non-itemizers. Conversely, less than 2 percent of taxpayers with incomes of $200,000 or more use the standard deduction instead of itemizing. Substantially increasing the standard deduction will therefore not only exempt the poor from income taxes, but will primarily target the tax assistance to those most in need.

It is especially important to raise the standard deduction for heads of household to the same amount for married couples filing jointly in order to close the currently inequitable tax disparity between these two types of families of the same size and income. This would also provide additional tax assistance to an increasingly poor and vulnerable segment of the population -- female headed families.

Approximately half of all families in poverty are headed by women, and nearly half of all able-bodied single mothers with children under six attempt to support their children through employment. Over 20 percent of these women worked full time in 1984 and paid up to 12 percent of their income in federal taxes. A large increase in the standard deduction for single heads of households would relieve much of the tax burden on female headed families and provide them with critically needed assistance for the support of their children.

2. A substantial portion of the Social Security payroll taxes of working families in poverty can be offset by an expansion in the Earned Income Tax Credit (EITC). The EITC is the single most important tax provision for low income working families with children, and any federal intervention on behalf of the working poor should focus attention on this credit.

The EITC was originally enacted to offset a great portion of the Social Security payroll taxes in order to counterbalance the highly regressive nature of that tax on the working poor. Designed as a work incentive for potential welfare recipients, the credit was and remains exclusively available to low income married couples and single parents supporting children. Senator Russell Long (D-LA), sponsor of the EITC, said it was necessary to provide tax relief to those persons who were "too poor to pay income tax, but who still pay social security tax."

The EITC is currently available to families with children, and with earnings up to $11,000 per year. The amount of the credit is determined by a sliding scale based upon income and irrespective of family size, and the maximum credit of $550 is available to eligible families earning between $5,000 and $6,500 per year. A parent with three dependents who earned the minimum wage for full time year-round work would be eligible for an EITC of $493 in 1984, lifting family income from 66 percent of the poverty line to 70 percent of the poverty line. In 1983 (the latest year for which figures are available) approximately 6.2 million families received an average EITC of $286.

The original value and purpose of the EITC has been seriously undermined in recent years as the amount of the credit and its eligibility levels have not been sufficiently adjusted to keep pace with inflation. Just as the personal exemption and standard deduction no longer exempt the poor from federal income taxes, no longer does the EITC offset a substantial portion of the Social Security taxes of poverty level families with children. Total EITC benefits have declined by 54 percent since 1979 and many poverty level working families, especially large poor families, are now excluded totally from the credit. Despite the peak in the poverty rate in 1983, close to 1 million fewer families received the EITC that year than in 1979. Participation will continue to drop in the future as all families of four with earnings at the poverty level will be denied eligibility for the EITC in 1986.

A substantial expansion of the Earned Income Tax Credit is necessary to provide tax relief and economic assistance to low income working families with children. According to the Joint Tax Committee, eligibility for the credit should be extended to families earning up to $16,360 per year in 1986, with the maximum credit increased to $818, simply to restore the EITC to its 1979 value. Such an adjustment would benefit approximately 11 million families, almost doubling the number helped by the credit.

Other adjustments in the EITC could provide additional assistance to working poor families as well. We have proposed adding a dependent allowance to the EITC in order to remedy the disproportionately harsh tax treatment of large poor families. Such an approach would also help low income working families with child care and other expenses associated with the support of their children. Others have suggested making poor single workers eligible for the EITC as well.

V. Tax Reform

Most of the major tax reform proposals provide significant tax assistance to low income working families through adjustments in the personal exemption, standard deduction and Earned Income Tax Credit. None, however, fully restores the poor to their 1979 tax status, nor fully adjusts the value of the EITC for its loss to inflation since

that time. Nevertheless, the tax system is a critical vehicle for supplementing the earnings of working families in poverty and tax reform efforts hold great promise for helping this segment of the population.

The President's tax reform plan took a giant step toward tax relief for the working poor through increases in the personal exemption, standard deduction and EITC. Together these provisions would exempt all poverty level working families from federal income taxes, and would provide most with a small offset against their Social Security payroll taxes as well. As indicated in the revised charts to our White Paper, the President's plan would reduce the federal tax liability for a poverty level family of four to approximately 5 percent of its income in 1986.

The House Ways and Means Committee Tax Reform Act of 1985 (H.R. 3838) now pending before the House of Representatives builds upon the President's plan to provide even greater assistance to low income working families. The Ways and Means proposal exempts all poverty level working families from federal income taxes by increasing the personal exemption for them to $2,000 and by increasing the standard deduction for married couples to $4,800 and for heads of households to $4,200. More than 6 million taxpayers will be removed from the income tax rolls, and the income tax threshold will be brought once again above the poverty line as a result of these provisions.



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The Ways and Means bill also provides working poor families with a substantial offset against their Social Security taxes as a result of its proposal to extend the EITC to families earning up to approximately $16,000 by 1987, with the maximum credit of $757 provided to families earning between $5,000 and $9,000 in 1987. As indicated in the attached chart, a married two parent family of four with 1987 poverty level wages will have its overall federal tax liability limited to approximately 3 percent of its income, over 4 percent less than its Social Security tax liability. A single parent family of four with the same income will similarly have its federal tax liability limited to 3 percent of its income, gaining more than $1,000 in disposable income in that year alone. H.R. 3838 will provide over $13 billion in direct assistance to poverty level working families over the next five years. This income supplement is on top of the additional income made available to these families as a result of the increases in the personal exemption and standard deductions. The indexing of all provisions important to the poor will also ensure maintainance of this support in the future. The Tax Reform Act of 1985 thus becomes one of the most important pieces of federal legislation in decades to assist working families in poverty.

Assistance to the working poor through the tax system has received widespread support from representatives of the entire political spectrum. Conservative politicians and policymakers have long endorsed the exemption of the working poor from federal income taxes. Ronald Reagan initially advocated the EITC concept in 1972

while Governor of California. Representative Jack Kemp (R-NY) has made assistance to the working poor a centerpiece of his tax reform plan, and explicitly tied the EITC to Social Security tax rates. Robert Carleson, former welfare advisor to the President, has similarly advocated assistance to the poor through the federal income tax system. Liberals, such as Representative Charles Rangel (D-NY) and many others have also consistently introduced and supported proposals to provide income supplements and cash assistance to the working poor through the federal income tax system.

Utilizing the federal income tax system can be an effective strategy for meeting many of the basic needs of the working poor, and current tax reform proposals offer a critical opportunity for immediate intervention.

Attachment

FEDERAL TAXES FOR FAMILIES IN POVERTY
CURRENT LAW AND H.R. 3838 (1987)

| | Two-Parent Family of Four at Poverty Line ($12,000) | Single Head of Household Family of Four at Poverty Line ($12,000) |
|---|---|---|
| Actual 1987 Taxes | $1,271 | $1,424 |
| | ($858 Social Security) ($413 Income Tax) | ($858 Social Security) ($566 Income Tax) |
| Percent of Income | 11% | 12% |
| H.R. 3838 | $401 | $401 |
| | ($858 Social Security) (-$457 Income Tax) | ($858 Social Security) (-$457 Income Tax) |
| Percent of Income | 3% | 3% |
| Tax Savings Under H.R. 3838 | $870 | $1,023 |

| | Two-Parent Family of Three at Poverty Line ($9,960) | Single Head of Household Family of Three at Poverty Line ($9,960) |
|---|---|---|
| Actual 1987 Taxes | $837 | $975 |
| | ($712 Social Security) ($125 Income Tax) | ($712 Social Security) ($263 Income Tax) |
| Percent of Income | 9% | 10% |
| H.R. 3838 | $31 | $31 |
| | ($712 Social Security) (-$661 Income Tax) | ($712 Social Security) (-$661 Income Tax) |
| Percent of Income | 1% | 1% |
| Tax Savings Under H.R. 3838 | $786 | $924 |

| | Two-Parent Family of Three at 3/4 of Poverty Line ($7,470) | Single Head of Household Family of Three at 3/4 of Poverty Line ($7,470) |
|---|---|---|
| Actual 1987 Taxes | $131 | $259 |
| | ($534 Social Security) (-$403 Income Tax) | ($534 Social Security) (-$265 Income Tax) |
| Percent of Income | 2% | 4% |
| H.R. 3838 | -$223 | -$223 |
| | ($534 Social Security) (-$757 Income Tax | ($534 Social Security) (-$757 Income Tax) |
| Percent of Income | -3% | -3% |
| Tax Savings Under H.R. 3838 | $354 | $492 |

Children's Defense Fund 12-6-85

Mr. FRANK. Thank you.

Obviously, we're not the committee with tax jurisdiction, but I think this is relevant because in dealing with the Labor Department, one of the responsibilities is to alleviate the working poor, and it would be fruitless, I think, for us to say the Labor Department should spend a lot more money on a lot more of these programs and then simultaneously find that a lot of it is being taxed away.

So I think that it's relevant in the broader sense, if we are going to understand what kinds of areas we think the Labor Department ought to be moving in and having a sense of the overall policies there. I just mention that, because obviously we don't have the tax jurisdiction, that you cannot intellectually segment the policy recommendations and if we're going to make intelligent ones in the area of JTPA, employment training, workfare, or anything else, the tax implications of that are very important.

I have had people talking about a more humanely defined workfare type situation, or one which was subjecting those people to these kinds of tax problems, it becomes very problematic and it has, obviously, a great deal to do with incentives and other things. I just wanted to make it clear that that is the context in which we are talking about this.

I appreciate very much what you had to say.

If there is no objection, the supporting materials that both the witnesses mentioned will be included in the record.

Other than that, I have no further questions.

Mr. Nielson.

Mr. NIELSON. Yes, I have a number of questions.

First of all, Dr. Kahn, is it?

Mr. KAHN. Yes.

Mr. NIELSON. How do the income tax and other tax rates of the United States, Pennsylvania, and New York, compare with these countries for which you're comparing the benefits?

Mr. KAHN. They vary significantly. That is, several of those countries, like Sweden, as you know, and Germany, have much higher marginal tax rates than we do. France, on the other hand, has very low personal income tax. They spend lots of money in income maintenance, but they use other tax bases than the personal income tax. Personal income tax is low.

Mr. NIELSON. Let's talk about the total taxes paid to the Government. How do we compare?

Mr. KAHN. I don't have my charts with me here. But we are around the middle, if you add everything up. That is, if you put together a combination of real estate tax, excise tax, value-added tax, other things that people pay, we are not the highest and not the lowest.

Mr. NIELSON. That's in comparable societies, I assume? I just want to make it clear that we're talking about other industrial societies, comparable societies.

Mr. KAHN. Only the countries I am talking about, yes. That is, it's a very difficult comparison because the issue of what to count always enters when you deal with tax. Housing tax, real estate tax, et cetera.

But clearly, several of these countries are very high taxers. Sweden, of course, is the extreme illustration. But several are low taxers, like France.

Mr. NIELSON. I appreciate your statement that it's always better to work than be on welfare. I appreciate that. Some people say that a person is better off staying on welfare than to try to work. And I am glad to see that you feel otherwise.

Are those with few children better off relatively than those with a large number of children, in every country?

Mr. KAHN. And those with no children do best.

Mr. NIELSON. In other words, children are an expensive luxury then?

Mr. KAHN. They're a consumption good, in a sense.

Mr. NIELSON. OK. You say that a woman working at half wage is always better off than the one on welfare. That seems to conflict with the statement of Ms. Gluckman earlier, that a woman who has a job at half pay has a much harder time than one who is on welfare. There is no incentive for her to work under those circumstances.

Mr. KAHN. Yes.

Mr. NIELSON. How do you account for that difference?

Mr. KAHN. Well, I was accounting for it by the sum total of things that happen in these countries. That is, if you can both be on half a wage and have family allowances to help you with your children and——

Mr. NIELSON. But we don't.

Mr. KAHN. We don't. Nonetheless, we have had in AFDC, you remember, an earnings disregard, where you kept a third of your salary completely, you got some work expenses off, you got child-care expenses off. The calculations here were done before the cuts in OBRA 1981, which cut that back significantly. In 1983 Congress put some of it back.

Nonetheless, if you add work expenses at a decent level, some help on taxes as was suggested, and child care costs, you do come out better even on welfare, but not much. For example, in Pennsylvania, if you were a welfare mother you were living with two children on 44 percent of the net income of the average production worker. If you were working, however, you had 69 percent. You were still better off, you see.

On the other hand, in Sweden, the difference was between 93.8 and 123.1 percent. So the gaps vary, but the combination of these supplements makes the difference. And that's part of my argument as to why you create a very attractive work incentive by these supplements and raise the standard of living in families that are rearing kids.

Mr. NIELSON. Well, relatively speaking, I got from your testimony that a family of six—that is, parents and four children—only needs help in this country.

Mr. KAHN. No, I——

Mr. NIELSON. You suggested that a children's allowance or a tax credit rather than an exemption might help solve that problem. Could you elaborate on that?

Mr. KAHN. Yes. I made the point that——

Mr. NIELSON. I have some interest in this. I have 20 grandchildren. [Laughter.]

Mr. KAHN. It's the problem of the guy on the assembly line with four kids, earning whatever the hourly wage is, and next to him is a single guy with the same wage, and then they go home with that pay. Now, they pay somewhat different taxes, as you know; that is, the thing is weighted somewhat. But the tax difference doesn't begin to make up the difference between them. The rest of these countries, therefore, say, "We will supplement the way in which you support those kids."

Those kids, in effect, may be a consumption good. I say we treat them as a consumption good, but in reality we care about kids in this society, and the way in which they eat makes a difference in the way they earn and the way in which they earn makes a difference in how productive the society is. It even makes a difference in what kind of army it has and so forth.

Therefore, the philosophy is we will let that family have help with its housing and with its income. The father is going to work his damnedest, but we're not going to let that family fall below a decent standard if he's a low earner.

And we are the only country on that list that does nothing for that family. And if you look at that table, you will see that the "Family Six," which is that family, lives at a lower percentage of the wage of the average production worker in the United States than in all of the rest of those countries.

That is, if you take New York and Pennsylvania and Australia, which I warned you about, if you divide that number by 6 and see what the per capita is and then compare it to the per capita of, let's say, the "3A," which is a family of just the average typical family of father of two, you see they're living at a pretty low standard, and the supplement brings them a little bit closer to a decent standard in those countries.

Mr. NIELSON. One criticism, finally, on table 2 on page 99. When you list the other unemployment benefits payable in the other countries, and the housing allowance particularly, you seem to leave out JTPA training programs, you leave out some of the housing supplements and things of that nature, such as public housing, that are available in this country.

Mr. KAHN. Yes. We leave out many things which are not entitlements.

Mr. NIELSON. Your blank doesn't mean there's nothing done, does it?

Mr. KAHN. No. It means that it's nothing that everybody can count on, and that's the way in which we compare it: What can every member of that society count on in that category. And none of the programs that have been mentioned in this last comment can be counted on. That's what makes it a part of the standard of living. We're talking about entitlements.

Mr. NIELSON. The chairman wants to move on to the next panel, and I will try to accommodate him.

Ms. Bourdette, on Children's Defense Fund, I have a number of questions there.

Mr. FRANK. Go ahead.

Mr. NIELSON. First of all, you are disappointed, obviously, that the tax reform package was not considered. Are you aware that there are some other alternatives that might have been considered? Were you aware of the Republican alternative?

Are you aware, for example, that in the current law for a family of four, the threshold for tax is $7,990; under the Rostenkowski it was $12,800; under the Republican alternative it would be $14,260, which would be sheltered from taxation? Are you familiar with that?

Ms. BOURDETTE. I am famliar with some parts of the Republican alternative, although I believe under the Ways and Means proposal the threshold for a family of four was $14,475.

Mr. NIELSON. My table may be wrong.

Ms. BOURDETTE. But certainly the low-income provisions of the Republican alternative were extremely beneficial to working families as well.

Mr. NIELSON. And then for a head of household with two dependents, under Rostenkowski, according to this table, is $10,200 and the Republican alternative is $11,440. So either of those two plans would have been substantially improved over the $5,720 we're talking about now.

Ms. BOURDETTE. As would the President's proposal as well. All the tax reform proposals made substantial improvement in the plight of the working poor.

Mr. NIELSON. What do you estimate would be the total cost of all the recommendations you have made? Now, I know that's a difficult question. You have suggested a number of things that need to be done. You have suggested a tax credit. You've suggested decreasing the tax liability, increasing the number of Government assistance programs. Do you have any idea how much that would all cost?

Ms. BOURDETTE. In terms of my tax proposals, yes. The earned income tax credit proposal, for instance, recommended in the Ways and Means bill and the Republican alternative. It would cost approximately $13 billion over 5 years. The entire cost of the Ways and Means proposal for low and moderate income families would have cost $30 billion over 5 years for all families under $20,000 a year. I don't have the cost breakdowns—I am not sure they're available in terms of the various provisions of the Republican alternative.

I have available the cost figures for the various proposals including for instance, doubling the personal exemption from $1,000 to $2,000 and can make them available to you if you wish.

Mr. NIELSON. You indicate there has been a substantial tax burden increase imposed on working families since 1979. But your data on tax rates are different from those of Dr. Gottschalk. Have you had a chanca to vck&pare vykr j&bers sith his ratesi

Ms. BOURDETTE. I thought I had from his initial testimony that I had earlier, unless he has supplemented that, I had a copy of his testimony quite earlier. Depending on——

Mr. GOTTSCHALK. There was one change which we had, one minor change.

Ms. BOURDETTE. You know, the tax rate varies substantially by the number of dependents, the type of family, whether it's a single head of household or a two-parent couple filing jointly, as well as the exact level you're counting, and the year.

Mr. NIELSON. You show consistently larger effective tax rates than Dr. Gottschalk does.

Ms. BOURDETTE. For what year? I will have to compare his data.

Mr. NIELSON. 1978 on each year——

Ms. BOURDETTE. Most of my data comes from the Joint Tax Committee.

Mr. NIELSON. We can straighten that out. I am aware that sometimes one can get two different conclusions from the same data. We seem to have slightly different conclusions.

Mr. GOTTSCHALK. Can I just speak on that just for a moment?

Mr. NIELSON. Yes.

Mr. GOTTSCHALK. I think the point where we do totally agree is that the tax burden has been increasing, and I think that that was the thrust certainly of my comments. Again, the fact that we can measure things, we can look at different family sizes and maybe get slightly different numbers.

The point is that the tax liability has increased and that's where we are in fact in agreement.

Mr. NIELSON. Are you including Social Security in yours?

Mr. GOTTSCHALK. Yes.

Mr. NIELSON. Both of you are.

I have some other questions. I think I will submit them for the record. Would you be willing to answer these questions if I submit them to you?

Ms. BOURDETTE. Certainly.

Mr. NIELSON. And I would like to submit the same questions to Mr. Gottschalk.

Mr. GOTTSCHALK. Yes, sir.

Mr. NIELSON. Thank you.

[Information to be furnished follows:]

Children's Defense Fund
122 C Street, N.W.
Washington, D.C. 20001

Telephone (202) 628-8787

February 24, 1986

The Honorable Howard C. Nielson
U.S. House of Representatives
1229 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Nielson:

Thank you for your letter of February 6, 1986 requesting additional information on the working poor, in follow-up to Chairman Frank's hearing on this subject in December.

Your interest in low income working families is greatly appreciated, and the responses to your questions are attached. I look forward to working with you and your staff on this issue. Please let me know if you would like any further information.

Sincerely,

Mary Bourdette

Mary Bourdette
Director, Government Affairs

MB/rm

Attachment

cc: Kenneth Salaets

QUESTION #1

On page 3 of your written statement, you argue that if the number of poor was determined based on after-federal tax income, the poverty rate would have increased by 7.3 percent or 3.2 million people in 1982. If we were to change poverty measurement accordingly, wouldn't it be even more accurate to include non-cash government assistance when determining an individual's actual annual income and their relative position to the poverty line?

ANSWER

The measurement of poverty is an extremely complex subject. Numerous studies, conferences and hearings have focussed on this for many years, involving hundreds of research, policy and statistical experts from around the country. The Committee on Post Office and Civil Service, Subcommittee on Census and Population, for example, recently held a series of hearings on the measurement of noncash benefits, and I would refer you to the record of those hearings for a sample of the many and complicated issues involved in measuring different types of noncash benefits for a determination of poverty.

After-tax income is one of the least difficult measurements, and my testimony referred to this measure solely to provide further illustration of the tremendous impact of federal taxes on the income of low income working families over the last few years. I would not recommend a change in the poverty definition, however, without greater study and analysis of the many complications involved.

QUESTION #2

Wouldn't raising the standard deduction for heads of households to the same amount for married couples filing jointly (as you recommend on page 7 of your statement) possibly encourage the formation of more families headed by a single parent and particularly by a female single parent?

ANSWER

I am aware of no evidence to suggest that equalizing the standard deduction for different types of working families with children would encourage the formation of single parent families, particularly those headed by women. In fact, until 1975, the standard deduction was equalized for all types of households -- and as you know, the great increase in single parent families has primarily occurred since that time.

Few single parent families are formed by choice. Considering the greatly reduced income of single parent working families headed by women, compared to the income of two parent working families, it would be difficult to suggest an economic rationale for the formation of female headed families. Equalizing the standard deduction is one means to assist lower income single parent families who are struggling to support their children through work. It is a recognition that the costs for these families to maintain a household and support their children are equal to (if not greater than) those incurred by a married couple.

QUESTION #3

**What other measures besides changes in the Federal tax code would you recommend for dealing with the problems of the working poor and their children? What would you estimate to be the costs in lost Federal tax revenues of all of the recommendations you have made to deal with these problems, such as decreasing tax liabilities and extending eligibility for the Earned Income Tax Credit?**

ANSWER

Numerous other suggestions were made at the hearing to provide additional assistance to the working poor. One important suggestion is to increase the minimum wage. Low wages have increased poverty and made the struggle of poor families harder. Among adults who are not disabled, elderly or single parents nurturing small children, more than two-thirds of heads of poor households worked either full-time or part-time during all or part of 1984. This included more than half of all single heads of poor households -- and fully 80 percent of men who head poor households. But working no longer means an escape from poverty, and the stagnation of the minimum wage is one major reason.

The minimum wage has not been increased since 1981. As a result, a minimum wage worker in 1986 is taking home less than four-fifths of what he or she took home in 1980 -- when adjustments are made for inflation.

By comparing the declining value of the minimum wage to the inflation-tied rise in poverty levels, the following chart shows how this drop has pushed many American families into poverty. This means that the more than 4 million American hourly workers who earn the minimum wage and the nearly 2 million with hourly earnings below the minimum wage are not making nearly enough money to provide a family with the basic necessities of life.

| Year | Hourly Minimum Wage | Annual Earnings For 2,000 Hours' Work (50 Weeks of 40 Hours) | Poverty Level (3 Persons) | Full-Time Minimum Wage Earnings As Percent of Poverty Level for 3 |
|---|---|---|---|---|
| 1964 | $1.25 | $2,500 | $2,413 | 103.6% |
| 1969 | 1.60 | 3,200 | 2,924 | 109.4 |
| 1974 | 2.00 | 4,000 | 3,936 | 101.6 |
| 1979 | 2.90 | 5,800 | 5,784 | 100.3 |
| 1980 | 3.10 | 6,200 | 6,565 | 94.4 |
| 1981 | 3.35 | 6,700 | 7,250 | 92.4 |
| 1982 | 3.35 | 6,700 | 7,693 | 87.1 |
| 1983 | 3.35 | 6,700 | 7,938 | 84.4 |
| 1984 | 3.35 | 6,700 | 8,277 | 80.9 |
| 1985 | 3.35 | 6,700 | 8,589 (est.) | 78.0 |
| 1986 | 3.35 | 6,700 | 8,934 (est.) | 75.0 |

Indeed in 1984 more than 11.4 million Americans with hourly wages were paid at such low rates less than ($4 an hour) that income from a full-time job would be insufficient to bring a family of three out of poverty. In 1979 the total with such inadequate wages was 2.8 million.

The cost to the federal government of increasing the minimum wage is minimal.

The costs of the tax recommendations included in my testimony are as follows: (1) Increase the Earned Income Tax Credit to make up for its loss to inflation -- approximately $15 billion over five years; (2) Add a dependent allowance to the EITC -- approximately $2.5 billion over five years; and (3) Equalize the Standard Deduction for Heads of Households to that allowed for Married Couples filing jointly -- approximately $5 billion over five years.

QUESTION #4

To increase public assistance and to reduce the tax liability of lower-income earners, we would probably have to raise taxes for other workers. Since the middle class pays by far the largest portion of Federal income taxes, wouldn't increasing their tax burden also reduce their expendable earned income, and thereby push them closer to the poverty line? Couldn't this possibly increase their need for assistance and therefore the need for even more Federal tax revenues?

ANSWER

It would certainly be counter-productive to provide tax relief to poverty level working families, while pushing even more families into poverty through an increased tax libailiby on them. Rather, tax reform proposals, including H.R. 3838 as passed by the House, and the president's Tax reform plan, substantially reduce the tax liability of lower income working families, without any commensurate increase in the tax liability on middle income workers. This is accomplished through base broadening and loophole closing to better ensure that all taxpayers pay their fair share.

An increase in public assistance payments can also be accomplished without increasing the tax liability of working families. To put this in perspective, it is perhaps useful to recognize that the President's proposed increase in military spending this year is more than the entire federal budget for the Aid to Families with Dependent Children (AFDC) program and Food Stamp program combined. Thus, a substantial increase in these basic benefits is possible by a shift in spending priorities from the military to low income children and families.

Mr. FRANK. Thank you, Mr. Nielson.

Let me just ask one further question with regard to the income disregard and other things you mentioned.

I think one area where American policy appears less advantageous to the working poor than most of the comparable societies is that we put more of a penalty on or that we are less likely to supplement the wages of people working at low levels. I want to make that as objective as I can, that we less than almost any comparable country supplement the income of low-level earners.

I am struck by that because I remember a comment, and I was not able to locate it, by Arthur Laffer, who said that one criticism he had of the 1981 changes in social policy were that, in fact, they reduced the incentive to work for people on welfare. And I think Mr. Nielson was asking a point that, in fact, I think it's probably the case—and I was glad he pointed this out—I think there is a general exaggerated view in the public of people who think it is better economically to be on welfare than to be working, and I was glad that he highlighted that.

What you were saying is that that is generally not true. On the other hand, I think we have to acknowledge that given particularly the cutbacks that occurred in Medicaid and in daycare and in other areas, there are probably some cases where a particular individual, through some combination of circumstances, could be better off. And we ought to be aiming for public policy, I think all of us would agree, where you're not going to be better off if you are able to work and are not working than if you are.

That's where we talk about the tax stuff and about some of the supplements, and I think I would just say I think we would agree on this, if I could summarize it. There was a partial public perception that is erroneous, that in general you're better off on welfare than in a low-level job. That's generally not true, but because of what I think many of us would think are some imperfections in our policy, it's occasionally true.

And also I assume that we would all agree that the way to deal with that is not to further degrade the people who are on AFDC but, in fact, to increase the incentives for the people who are working in ways that we were talking about.

Mr. NIELSON. Exactly, Mr. Chairman. I looked at last year's AFDC data. The proportion of AFDC people who are now working and supplementing work with AFDC has gone from about 16 percent to 15 percent, which it was for many years, to about 5 or 6 percent last year. I think Congress should worry about that. This is precisely the problem that we have to work on.

Mr. FRANK. Policy changes in the wrong direction. And this is a point, by the way, that some of the supply-side economists have made on the ideological point of liberal or conservative, when you're measuring the effects of policy, there is the sort of freeze-frame effect that says if nobody changed behavior, this might cost us more, but if you build in what the incentive effect is going to be, the short-term increase in outlay may be bringing you to a point where it may cost you a little less over time as you affect people's incentives.

I guess we've seen a lot of written and spoken testimony about the incentives on higher level people and the need and the benefit

in society for increasing the compensation and benefits that go to higher income people.

And I guess part of what we're saying here today is that that same rationale applies to lower income people. It's not that we're talking about a different race, and that incentives are good and will have productive effects on both ends, and we probably have not looked as much as we should have at the value of incentives in encouraging socially useful and individually beneficial behavior at the lower end as we have at the upper end of income.

Mr. NIELSON. The issue isn't only one of income, it's the issue of mainstreaming people to let them feel part of the society.

Mr. FRANK. I found that given some money is very helpful in making them feel a part of society.

Mr. NIELSON. Yes. I understand.

Mr. FRANK. Thank you very much.

Our final witness—and I appreciate his forbearance—is Mr. Robert Greenstein from the Center for Budget and Policy Priorities.

## STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER FOR BUDGET AND POLICY PRIORITIES

Mr. GREENSTEIN. Thank you. Thank you, Mr. Chairman. I am Robert Greenstein, director of the Center on Budget and Policy Priorities, a nonprofit research and analysis organization in Washington that focuses on issues of low- and moderate-income families.

Mr. Chairman, I would like to talk both about some of the current conditions facing the working poor as well as some of the current proposals facing the Congress that might impact on that group. Before I do, I thought I would make a couple of quick comments that might clarify some points, especially some of Mr. Nielson's questions of the last few minutes.

One, in regard to the differences between the Republican alternative and the Rostenkowski bill, the Republican alternative appearing from the figures you had, you had to have a higher tax threshold. I think that the reductions in tax burdens and the increase in the tax threshold take effect 6 months earlier in the Republican alternative than in the Rostenkowski plan, so that the figures you read were for that 6-month period.

When you get to calendar 1987 and both plans are fully in effect, then the figures that Mary Bourdette read hold and you no longer have a higher threshold under the Republican plan. It may be marginally higher under the Rostenkowski plan then because I think it has a slightly higher standard deduction.

With regard to the work-versus-welfare issue, I think a key point we need to keep in mind is that Congressional Research Service data show that since 1970 AFDC benefits, when adjusted for inflation, have fallen about 37 percent.

What that means is that one of the reasons why you're still generally better off working than receiving welfare, even with the sharp cuts aimed at the working poor earlier in this decade, is that welfare benefits have fallen so much in real terms that, over the last 10 or 15 years, the nonworking welfare families have been hit

even harder than the working families. If you work, you're still marginally better off or, in some States, a little more better off.

But what we basically have done is to have made both groups significantly worse off than they were in the early 1970's. Rather than making those who work better off than those who don't, we have pushed both groups down beat, pushed those who don't work even further.

What I would like to do, Mr. Chairman, is to talk a little bit about the working poor both when they're working and when they're not, because we also, need to look at the issue of what happens when the working poor are temporarily unemployed. The research data pretty clearly show that when recession comes along or unemployment rises, the working poor are hit harder than workers higher up on the income spectrum.

As a starting point, and I think you're generally aware of this, we've had a very large increase in the number of working poor in recent years. I think the census data show that if you look at those age 22 to 64, the prime working age, the number who work but are still poor has jumped about 60 percent since 1978. Of all poor persons who head families, nearly half now work at some point during the year. And most striking, the number who work full-time year-round and are still poor has increased by over 60 percent since 1978.

In fact, a significant majority of the poor family heads, whom the public generally thinks should work, now actually do work during the year. Most of the family heads who do not work at all during the year are elderly, disabled, students, or single mothers of poor children.

I think Peter Gottschalk has found that about 53 percent of all the heads of households in poverty are over 65, disabled, full-time students, or single mothers with children under age 6.

This raises an interesting question. If a significant portion of the prime working-age individuals who are poor do work, why have we had such an increase in the number who work and still live in poverty?

There are several factors here. One, which at least in the general media hasn't gotten sufficient attention, is what has been happening to wages and particularly the minimum wage. Since the minimum wage hasn't been adjusted in nearly 5 years (since January 1981), it has actually fallen in real terms nearly 25 percent during this period. In other words, the minimum wage now provides purchasing power or standard of living nearly 25 percent lower than it did in January 1981.

Now, let me mention a few quick figures here. In 1978, a family of four with one person working full-time year-round at the minimum wage fell $1,150 below the poverty line. In 1985, such a family falls more than $4,000 below the poverty line.

In 1978, a family of three with a full-time minimum-wage earner was above the poverty line; today, that family is $1,600 below. And a family of two, a parent and one child, with a full-time minimum-wage earner, was $1,300 above the poverty line in 1978; today, they, too, are below the poverty line.

Even a family of four with two wage earners, one full-time at the minimum wage, one half-time at the minimum wage, both year-

round, are still in poverty. This also means that large numbers of other jobs with wages pegged slightly above the minimum wage now fail to provide enough income to escape the poverty line.

Mr. FRANK. We are just going to keep going and take another couple of minutes and then wrap it up.

Mr. GREENSTEIN. If we look at the future demographic trends, the minimum wage is likely either not to be adjusted at all or to be adjusted at a much lower rate than inflation. So it will fall farther below the poverty line as time goes on.

This is the biggest issue for families with one earner, female-headed households in many cases.

We also know demographically that single-parent families are expected to grow at a much more rapid rate than two-parent families in coming years.

So what we have is a demographic and an economic situation leading us toward larger and larger numbers of families who work, in many cases full-time, and are still poor. Even if the poverty rate doesn't go up or comes down marginally, we can reasonably expect the number of working poor to continue to grow over time, absent some new policy direction.

In addition to the wage issue, there is, the issue which you have referred to of the budget reductions in the working poor area. Let me simply mention a GAO study that came out this summer that found that while many working poor families terminated from AFDC by the 1981 cuts tried to and in many cases did work more and earned more, the increased earnings were offset by the decrease in benefits such that the overall income of these families, fell an average of $1,500 to $2,600 a year, a very large reduction for those who are still poor.

GAO also found that a third of these families had a utility shut-off; close to a quarter who were terminated didn't get medical treatment, were either turned away or didn't seek it at some later point; and so forth.

Of particular interest are how low the AFDC income eligibility limits now are in some States for families who work. In Texas, earnings of $3,900 a year for a family of four, 36 percent of the poverty line, disqualifies you for any public assistance benefits after the 4th month on the job.

Nationwide, there are now 40 States where the earnings cutoff for AFDC benefits after the 4th month on the job is below $7,000 a year.

I would add another point here. While the working poor may still be somewhat better off than the welfare poor, we should recognize that after the 4th month on the job, the combined marginal tax rate for those who work now exceeds 100 percent. That is, after the 4th month on the job, if you are an AFDC working mother, each additional dollar you earn, you lose more than a dollar in Federal income and payroll tax, State income tax, AFDC and food stamp loss. When we are discussing lowering marginal tax rates to 38 or 35 percent, for these people it is effectively over 100 percent.

Finally, there are the tax issues that Mary Bourdette added. There are some new census data on this, and let me just add a few additional points. First, new census data show that since 1979, the number of households below the poverty line who have to pay Fed-

eral income tax has more than tripled, and that the amount of Federal income tax paid by households below the poverty line has risen 204 percent after adjusting for inflation.

Second, in terms of State and local tax, the census data show that the number of households below the poverty line, that had to pay State income tax went up 30 percent from 1980 to 1983, and the amount they had to pay went up 37 percent after adjusting for inflation.

Finally, the census data show that there are now 2.9 million families whose incomes before taxes are above poverty but whose incomes after taxes are below poverty. That's 1 million more than only 4 years earlier, an increase of one million in the number of households taxed into poverty since 1979.

Adding to the problems of the working poor——

Mr. FRANK. Mr. Nielson had a question. I wonder if you would mind.

Mr. GREENSTEIN. Sure.

Mr. NIELSON. I just want to compliment you on your statement. I wish we had more time to ask you questions. We have a vote on the floor we have to go to. I want to compliment the chairman for having a very fine informed panel, one of the best panels we have had, one of the best groups of panels we have had in my experience with the committee.

Mr. GREENSTEIN. Thank you.

Let me cut short and try to wrap up since your time is short.

I will just mention that in addition to the problems between wage stagnation, real wage drop, tax burden increase, and budget cuts aimed at the working poor, we have had further problems for these people when they lose jobs.

Most significant is, the major erosion in Federal unemployment insurance. In October of this year, only 26 percent of the unemployed got benefits, the lowest percentage ever recorded in the history of the program. We have as many unemployed workers without benefits today, 5.9 million, as we had at the bottom of the recession in 1982 when unemployment was 10.7 percent.

We have seen a major shrinkage in the unemployment insurance system, and very large numbers of the working poor are unemployed at some point over a 10-year period, probably the majority of them. So this is of great importance, too.

Mr. FRANK. In other words, I wonder if it would be fair to say the unemployment insurance system is really geared to people at a higher economic bracket and that it just doesn't deal with the problems of some of the people we're talking about; that is, it just assumes maybe people are going to be laid off because the factory closes or for some other things, but it is flowing less and less and is dealing less and less adequately in dealing with people who may have some worse problems?

Mr. GREENSTEIN. I think it has that effect. The problem is twofold, that unemployment has been so high for so long. We've had 7 percent or above unemployment for 5½ straight years. That's unprecedented since the Depression.

Prior to the 1980's, and excluding the 1974–75 recession, there were only about 10 months in 35 years when unemployment was that high.

Mr. FRANK. But you are also talking about the duration for individuals, which is part of the problem.

Mr. GREENSTEIN. Right. Part of the problem is the duration of unemployment, coupled with the fact that we essentially eliminated the extended unemployment benefit program in the 1981 budget cuts.

And then we have a third factor that doesn't get enough recognition. Because, in part, of Federal changes in terms of interest and penalties on States that owe debts to the unemployment insurance system since unemployment has stayed high for long periods in the State, we have basically induced the very States with high unemployment to cut their own programs. The Urban Institute has looked into this, in particular.

So you had State cuts in who is eligible and how long they get benefits for, elimination of Federal extended benefits, and unprecedentedly long unemployment—all three factors together have effectively combined to make the unemployment insurance system a real shadow of what it used to be.

Since many of those who are unemployed for long periods of time tend to come from lower income groups, and many of those working poor also are people who weren't in the work force that much before and worked for a few months and may get laid off, a disproportionate number of those who get hit by the shrinkage in unemployment insurance are probably from lower income brackets.

Let me finish by saying that we've got two basic pieces of legislation—one is pretty much done—now before us, apart from what long-range things we might do.

The first, of course, is Gramm-Rudman. Many of us greatly appreciate your role and leadership, Mr. Chairman, in making sure that some of the low-income programs were exempted. I must say, however, that I am disturbed by the popular misunderstanding, that, indeed, these low-income programs are going to be left out of deficit reduction for the coming years.

I believe, as I think you do, that most of the deficit reduction will not come from the automatic spending cuts, but from action Congress takes in reconciliation and appropriations bills in the coming years.

In that form, none of the programs for the working poor or low-income are exempt, and I would be willing to place a wager right now that most of the programs that are exempt under the automatic spending cuts will indeed be cut by the Congress over the next few years.

Some of the programs that are key for the working poor are not only on the chopping block, but they are not exempt under the automatic spending cuts. For example, the social services block grant, which provides fundamental day-care support for low-income working families, JTPA, other employment and training programs, none of these are exempt.

What we have essentially done for the last 5 years or so is followed a series of policies where we allow the taxes of the working poor to go up at the time their wages stagnated, and we cut their benefits more than any other single group. Under the pressure of Gramm-Rudman, we may very well may do more of the same. And

rather than looking at alleviating what is one of our most critical problems, we may exacerbate it.

The final piece of legislation I will go into in less detail because it has been discussed, but I must say that I am here with a very heavy heart today, feeling that yesterday the House cast an adverse vote on what I believe is the most single significant piece of legislation for the working poor of the last 15 years, the tax bill. There is no other piece of legislation that has been enacted in the last 15 years that would have done as much to improve both the purchasing power and the incentives of the working poor as that piece of legislation.

By providing nearly $30 billion in tax relief——

Mr. FRANK. We have covered that one pretty well.

Mr. GREENSTEIN. Yes.

Mr. FRANK. We should note, as Mr. Nielson noted it, much of what you are saying about this I think applies both to the Ways and Means version and to the Republican alternative in the sense that both of them would have——

Mr. GREENSTEIN. That is certainly true for the working poor per se. As you begin to get into moderate and lower middle income working families, there are significant advantages of the Rostenkowski bill over the Republican alternative, which is not as favorable in some of those brackets.

But I think that this is one of the few opportunities we may have in this decade to make a very major, rather than a marginal, impact in terms of the conditions of the working poor, and certainly I would hope that the legislations will be resurrected.

Mr. FRANK. Thank you. I appreciate this.

I don't mind missing the quorum.

I want to thank all who participated. I think out of this came, particularly as I listened to Mr. Nielson, I think the structure of a report by this subcommittee is now forming which can emphasize some of these points.

And I think this is important in helping build toward a bipartisan and cross-ideological consensus, and there will still be fights about the level of AFDC and other kinds of issues and should you get a stipend when you're on job training.

But in some of these areas, the need for us not to have a disincentive, the need for us to preserve a situation where you are better off working than being the recipient of a transfer program, if you are capable of working, tax things, I gather a good deal of agreement certainly between Mr. Nielson and myself and I think from my conversations with Mr. Lightfoot and others, that we are in a position maybe to come forward with some points that will be useful.

So I thank you. I think this has been constructive in trying to move in that direction.

As I said, again just to make it clear where our jurisdiction is, it would be silly for us to be harping at the Labor Department to make substantial improvements in the quality of life of the working poor and ignore Tax Code and other kinds of problems that condemn that to not much success. That doesn't mean that we ignore the areas of our primary jurisdiction, but they have to be put in the context of the overall policy.

I thank you all.

The hearing is adjourned.

[Whereupon, at 12:25 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

# APPENDIX

## MATERIAL SUBMITTED FOR THE RECORD

THE NEW YORK TIMES, WEDNESDAY, DECEMBER 4, 1985 p A30

**Letters**

# Comparable Worth Is Rooted in U.S. History

To the Editor:

Morris Abram in his opinion on pay equity for women (Op-Ed, Nov. 4) makes the astonishing statement that "Guaranteed economic and social equality have never been part of the heritage of a free country." Though the ultimate issue, 200 years later, may well remain in doubt, surely disciples of the mean, brutish and short view of the American political heritage must acknowledge that a contrary tradition, with particularly honorable lineage, at least contends.

The other thing Jefferson did in the early summer of 1776, besides dedicating the nation to a proposition of equality, was to draft a constitution for the state of Virginia. Jefferson proposed that primogeniture should be abolished and that daughters should inherit on equal terms with sons. Jefferson proposed that no person thereafter coming into Virginia should be held in slavery under any pretext whatever.

And, in the disposition of formerly Crown lands, Jefferson proposed that "Every person of full age neither owning nor having owned 50 acres of land shall be *entitled* to an appropriation of 50 acres, or so much as shall make up 50 acres in full and absolute dominion, and no other person shall be capable of taking an appropriation."

In 1787, even while the Constitutional Convention sat in Philadelphia, the same Congress which had convened the Convention adopted the Northwest Ordinance. In Section 2 of the ordinance, Congress established, at least until altered by the legislature of the district, that "estates ... shall descend to ... the children ... in equal parts," explicitly putting "brother or sister," "him or her" on equal footing.

In Article VI, of course, Congress declared "there shall be neither slavery nor involuntary servitude in the territory." (Not incidentally, that Congress also provided in the Northwest Ordinance that "... necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged" and that "the utmost good faith shall always be observed toward the Indians.")

It has remained to the Freedmans Acts in the South and the Homestead Act on the frontier, and in this century the Civil Rights Act of 1964, the Social Security acts and the unfilled legislative promise of full employment, to secure Jefferson's 50 acres proposal or a semblance of its functional equivalent.

John Adams was convinced that power followed the distribution of property, and for a person of republican sentiments this meant that property — then, especially land — should be widely distributed. James Madison, occupied in 1792 with concerting opposition to Hamilton's program, urged measures to establish "political equality among all," including to "withhold unnecessary opportunities from a few to increase the inequality of property, by an immoderate, and especially unmerited, accumulation of riches" and to "reduce extreme wealth ... and raise indigence towards a state of comfort."

Thus Abram and friends may assert a contrary tradition but they cannot correctly deny the strength of a peculiarly American tradition which closely joins political equality and equality of condition. Jefferson's well-known affection for small farmers was thus less a commitment to Arcady as another expression that a decent equality of condition is necessary for political equality and for a republic. Affirmative action — whether touching conditions of race, gender, national origin, religion, disability or whatever may divide and devalue any people — is a part of that American tradition. The systematic assignment of women, whether by a market or by continuing effects of long prejudice and false stereotype or by plain thoughtlessness, to jobs which are comparably productive but differentially honored would, in this American tradition, require action to recognize comparable worth.

In all events, the American Catholic Bishops in their developing statement on economic justice are closer than Abram to the founders' perception that if we are to have, and keep, a republic we must have republican conditions.

THOMAS K. GILHOOL
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Law Center of Philadelphia
Philadelphia, Nov. 13, 1985